



COMMODITY FUTURES TRADING COMMISSION
QUARTERLY PERFORMANCE REVIEW

THIRD QUARTER, FY 2000



QUARTERLY PERFORMANCE REVIEW THIRD QUARTER, FY 2000

CONTENTS OVERVIEW

Purpose: *The Quarterly Performance Review provides narrative and statistical information regarding how well the CFTC is performing its mission to protect market users and the public from fraud, manipulation, and abusive trading practices related to the sale of commodity futures and options, and to foster open, competitive, and financially sound commodity futures and option markets.*

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Part I: Commission Resources

Summary of FY 2000 Commission Funding

By Agency Goal & Outcome Objective

Outcome Objective by CFTC Goal	FY 2000 \$ (000)
GOAL ONE: Protect the economic functions of the commodity futures and option markets.	
Outcome Objectives	
1.1 Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	\$11,252
1.2 Oversee markets which can be used effectively by producers, processors, financial institutions and other firms for the purposes of price discovery and risk shifting.	1,015
Subtotal Goal One	\$12,267
GOAL TWO: Protect market users and the public.	
Outcome Objectives	
2.1 Promote compliance with and deter violations of federal commodities laws.	\$15,967
2.2 Require commodities professionals to meet high standards.	1,626
2.3 Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act.	1,497
Subtotal Goal Two	\$19,090
GOAL THREE: Foster open, competitive, and financially sound markets.	
Outcome Objectives	
3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds	\$2,596
3.2 Promote and enhance effective self-regulation of the commodity futures and option markets.	7,935
3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	2,934
3.4 Promote markets free of trade practice abuses.	2,735
Subtotal Goal Three	\$16,200
Unallocated	
Unallocated & Prorated ¹	15,204
Subtotal Unallocated	\$15,204
TOTAL	\$62,761

¹ Unallocated & Prorated refers to those resources supporting the offices of the Chairman and the Commissioners (with the exception of the Office of International Affairs); the Office of the Executive Director (with the exception of certain activities of the Office of Information Resources Management); and a very small portion of resources in the Office of the General Counsel. The resources are not originally allocated to a specific strategic goal because, for the most part, the work performed by these offices provides common support across all strategic goals.

Division Staffing Distribution by Outcome Objective
FY 2000
in Full-Time Equivalent (FTE) Hours

Outcome Objective by CFTC Goal	FY 2000 FTEs
GOAL ONE: Protect the economic functions of the commodity futures and option markets.	
Outcome Objectives	
1.1 Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity.	112.32
1.2 Oversee markets which can be used effectively by producers, processors, financial institutions and other firms for the purposes of price discovery and risk shifting.	11.15
Subtotal Goal One	123.47
GOAL TWO: Protect market users and the public.	
Outcome Objectives	
2.1 Promote compliance with and deter violations of federal commodities laws.	134.96
2.2 Require commodities professionals to meet high standards.	13.77
2.3 Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act.	13.00
Subtotal Goal Two	161.61
GOAL THREE: Foster open, competitive, and financially sound markets.	
Outcome Objectives	
3.1 Ensure sound financial practices of clearing organizations and firms holding customer funds	21.98
3.2 Promote and enhance effective self-regulation of the commodity futures and option markets.	71.03
3.3 Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions.	25.54
3.4 Promote markets free of trade practice abuses.	23.90
Subtotal Goal Three	142.45
Unallocated	
Unallocated & Prorated	133.00
Subtotal Unallocated	133.00
TOTAL	561.00

Part II: Priorities & Accomplishments

Summary of Priorities by Agency Goal: *Fourth Quarter, FY 2000*

Goal One: Protect the economic functions of the commodity futures and option markets.	
Division/Office	Priority Items
Trading & Markets	BrokerTec Merchants' Exchange of St. Louis
Economic Analysis	Large Trader Reporting Rule Change Procedures Staff Task Force on Regulatory Reform Evaluation of Alternative Execution Procedures in Futures Markets Liquidity, Cost, Option Pricing, and Efficiency of Index Futures Option Markets Milk Futures Price Volatility Study Cottonseed Oil Contracts Tracking and Maintaining Information North American Industrial Classification System FY 2002 Census of Agriculture Butter Stock Investigation
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.
General Counsel	Regulatory and Legislative Matters Staff Task Force on Regulatory Reform
Executive Director	Systems Development Projects
Legislative & Intergov'tal Affairs	Legislative Support Activities Liaison Activities

Goal Two: Protect market users and the public.	
Division/Office	Priority Items
General Counsel	Opinions Litigation Freedom of Information Act Ethics
Trading & Markets	Foreign Order Transmittal Secured Amount
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.

Goal Three: Foster open, competitive, and financially sound markets.	
Division/Office	Priority Items
Trading & Markets	Regulatory Reform: <ul style="list-style-type: none"> - Exchanges and Clearing-Houses - Denomination of Customer Funds and Location of Depositories Regulation 1.59: Insider Trading Restrictions De-Mutualization Commodity Trading Advisors (CTA) and Commodity Pool Operators (CPO) CTA and CPO Performance Reporting and Disclosure Issues Capital Charge on Unsecured Foreign Broker Receivables

COMMODITY FUTURES TRADING COMMISSION: QUARTERLY PERFORMANCE REVIEW

	Offsetting Customer Deficits in the Segregation Account with Readily Marketable Securities Subordinated Loan Agreements Hedge Fund Reporting Expansion of Permissible Investments for Segregated Customer Funds National Futures Association's (NFA) Compliance Rule 2-35(d) Automated Trading Systems Klein Futures
Enforcement	Due to the confidential nature of its work, the Division of Enforcement does not list its priorities for the upcoming quarter. See the <i>Accomplishments</i> section for recent work completed by the Division of Enforcement.
International Affairs	International Organization of Securities Commissions (IOSCO) International Initiatives Information Sharing Technical Assistance
General Counsel	Regulatory and Legislative Matters Foreign Stock Index Futures Contracts De-mutualization

All Goals	
Division/Office	Priority Items
Executive Director	Staff Task Force on Regulatory Reform Intranet Long Range Information Resources Management (IRM) Planning Technology Advances Information Systems Contracting Special Events and Training Human Resources (OHR) Initiatives Space Management Financial Management (OFM)

Division Priorities by Agency Goal: *Fourth Quarter, FY 2000*²

Goal One: Protect the economic functions of the commodity futures and option markets.

Division of Trading & Markets (T&M) — Goal One Priorities:

BrokerTec – The division is considering an application from BrokerTec for designation as a contract market for the automated trading of various interest rate futures contracts. BrokerTec's application was published in the *Federal Register* on June 9, 2000 for a 30 day comment period (65 FR 36667).

Merchants' Exchange of St. Louis – The division recommended, and the Commission designated on July 10, 2000, the Merchants' Exchange of St. Louis, L.L.C. (MESL) as a contract market for the automated trading of deliverable Illinois Waterway and St. Louis Harbor barge rate futures contracts on an electronic trading system. MESL has not previously been approved by the Commission as a contract market in any commodity. MESL will arrange for the Board of Trade Clearing Corporation to provide all clearance and settlement functions and for the NFA to perform several of MESL's required regulatory functions.

Division of Economic Analysis (DEA) — Goal One Priorities:

Large Trader Reporting – All exchanges except for the Chicago Mercantile Exchange (CME) and the Minneapolis Grain Exchange (MGE) are now providing settlement prices and delta factors on a more timely basis. Staff anticipate that the CME and the MGE will be doing so in the fourth quarter of this year. Staff will continue to work with the Office of Information Resources Management (OIRM) to improve the performance of the new client-server surveillance system.

Rule Change Procedures – Proposed revisions to the expedited rule approval procedures were published in the *Federal Register* on July 15, 1999 (64 FR 38159). An amended proposal was published on June 22, 2000 as part of the Commission's proposed rulemaking on regulatory reform.

Staff Task Force on Regulatory Reform – Division staff will continue to participate in the task force on the Commodity Exchange Act (CEA or Act) and Commission regulations. Staff will draft final rules for Commission consideration.

Evaluation of Alternative Execution Procedures in Futures Markets – Research staff will continue to examine market integration and fragmentation issues and the evaluation of the advantages and disadvantages of open-outcry versus electronic trading systems.

Liquidity, Cost, Option Pricing, and Efficiency of Index Futures Option Markets – Research staff will examine the impact of liquidity cost on fair option premiums in thin index futures markets and will review alternative techniques on testing efficiency of index futures option markets.

Milk Futures Price Volatility Study – Division staff will continue work on the Congressionally mandated study of the impact of maximum daily price limits on price volatility for milk futures contracts. As directed by Congress, the study will compare the relationship between milk futures price limits and milk futures price volatility to the relationship of price limits and price volatility for other major agricultural futures contracts.

Cottonseed Oil Contracts – The division will prepare background materials on the MGE cottonseed oil contracts -- the first contracts filed for this commodity -- submitted under certification procedures in order to conduct surveillance and calculate deliverable supplies prior to the first delivery month of August 2000.

² Occasionally priorities of the 4th quarter will have transpired by the time the QPR document is finalized and released to the public. When this is the case the action taken on the priority will be stated in the past tense.

Tracking and Maintaining Information – Division staff will complete a database to be used in tracking and maintaining key information on new business-to-business exchanges and transaction execution facilities that are, or appear to be, offering futures-like products. The database will be useful as a reference source of information about these new entities, some of which may come under Commission oversight under the regulatory reform proposal.

North American Industrial Classification System – Market Analysis staff will continue to participate in the identification and classification of financial products and services by the Finance Subcommittee of the Economic Classification Policy Committee.

FY 2002 Census of Agriculture – Division staff will continue to participate in a data user advisory group established by the US Department of Agriculture to assist in that agency's preparations for the upcoming census.

Butter Stock Investigation – Staff will continue to monitor the progress of the CME investigation into the under-reporting of butter stocks by an approved warehouse. The staff will review the exchange's completed investigation when it is received and make any appropriate recommendations for Commission action.

Office of the General Counsel (OGC) — Goal One Priorities:

Regulatory and Legislative Matters – As the Commission's chief legal advisor, OGC will advise the Commission concerning proposed legislation to amend the CEA and other legislative and regulatory matters.

Staff Task Force on Regulatory Reform – Staff will continue to participate in the work of the task force on regulatory reform. The staff will review the comments received and assist in the drafting of *Federal Register* notices adopting final rules for Commission consideration.

Office of the Executive Director (OED) — Goal One Priorities:

Systems Development Projects – OIRM will continue the transfer of the Exchange Database System to a client-server environment during the fourth quarter. In the fourth quarter, additional functions that were provided on the mainframe version of the system will be made available on the client-server version and errors in the available client-server functions will be corrected.

Office of Legislative and Intergovernmental Affairs (OLIA) — Goal One Priorities:

Legislative Support Activities – Staff will monitor legislative initiatives and advise the Commission and its staff about proposals that may affect the Commission, the CEA, or the administrative responsibilities of the agency. OLIA staff will pay particular attention to: issues, hearings, and legislation related to the reauthorization of the Commission and reform of the CEA; bills providing appropriations for the Commission; and other legislation which may affect the agency in the performance of its mission.

Liaison Activities – OLIA will continue to meet with Congressional staff to keep them informed of Commission actions. Where appropriate, staff will organize briefings for Congressional staff. OLIA will continue to help the Commission respond to requests from the General Accounting Office (GAO) and other federal agencies.

Division Priorities by Agency Goal: *Fourth Quarter, FY 2000*

<i>Goal Two: Protect market users and the public.</i>

Office of the General Counsel—Goal Two Priorities:

Opinions – OGC will advise the Commission on the resolution of pending administrative enforcement and reparations appeals and appeals from disciplinary decisions of self-regulatory organizations.

Litigation – During the quarter, OGC will defend the Commission in at least 11 appeals to the United States Courts of Appeals that may be briefed or argued during the quarter, including *CFTC v. Blitz*, No. 99-4142 (7th Cir.); *Commodity Trend Service v. CFTC*, No. 99-4143 (7th Cir.); *CFTC v. Princeton Global, et al.*, No. 00-6084, et seq. (2d Cir.); *CFTC v. Noble Wealth Data Information Services, Inc.*, No. 98-3316 (4th Cir.); *Tucker, et al., v. CFTC*, Nos. 99-4084, et seq. (2d Cir.); *Agora, Inc. v. CFTC*, No. 00-1819 (4th Cir.); *MBH Commodity Advisors v. CFTC*, No. 00-1957 (7th Cir.); *CFTC v. Maseri*, No. 98-5791 (11th Cir.); *CFTC v. United States Investment Co.*, No. 00-1792 (1st Cir.); *CFTC v. IBS*, No. 3:00 CV-0103-V (4th Cir.); *CFTC v. Colton*, No. 00-135-68 (11th Cir.). OGC will represent the Commission in United States District Court in an appeal from a significant ruling of a United States Bankruptcy Court in *In re Griffin Trading Co.*, No. 00-C-2056 (N.D. Ill.) and in connection with various third-party document subpoenas to the Commission. OGC will also represent the Commission in bankruptcy court in several individual bankruptcies. OGC will coordinate with the Solicitor General in opposing certiorari in the Supreme Court in *R&W Technical Services v. CFTC*, No. 99-1883 (S.Ct.) and will defend the Commission in at least two district court cases challenging aspects of ongoing investigations: *Radcliff v. CFTC*, No. 2:00-CV-34 (E.D. Tenn.) and *Rickerson, et al., v. CFTC*, No. 00-0701 (W.D. Mo.).

Freedom of Information Act – During the quarter, staff will continue to advise the Commission on issues raised under the Freedom of Information Act (FOIA), the Privacy Act and the Government in the Sunshine Act. Staff also will continue to develop procedures to assure timely and accurate review and responses to requests for information under the FOIA, to advise other divisions with respect to accessibility of division documents to specific FOIA requesters, and to respond timely to administrative appeals under the FOIA and Privacy Act.

Ethics – Staff will continue to review and advise on all matters relating to the Commission's ethics standards and compliance with its Code of Conduct and the Office of Government Ethics government-wide regulations, and to provide annual ethics training to Commission employees. The office also will continue to provide legal counsel to the Commission's Inspector General.

Division of Trading and Markets—Goal Two Priorities:

Foreign Order Transmittal – The division will recommend the adoption of Rule 30.12 to permit certain foreign firms acting in the capacity of futures commission merchants (FCMs) and introducing brokers (IBs) to accept and to execute foreign futures and options orders directly from certain sophisticated US customers without being required to register with the Commission. The proposed rule was published for comment on August 26, 1999 (64 FR 46618).

Secured Amount – The division will recommend that the Commission issue a revised interpretation of the foreign futures or options secured amount requirement set forth in Rule 30.7. The division also will recommend that the Commission amend orders issued under Rule 30.10 concerning the treatment of such funds by firms exempt from FCM registration in accordance with those orders.

Division Priorities by Agency Goal: *Fourth Quarter, FY 2000*

Goal Three: Foster open, competitive, and financially sound markets.

Division of Trading & Markets—Goal Three Priorities:

Regulatory Reform – The division will evaluate regulatory reform proposals identified by the Commission, the industry, and other interested persons and will identify additional areas where regulations can be modernized and streamlined. Specific issues the division will address are:

- **Exchanges and Clearing-Houses.** The division will work on proposals for regulatory reform related to exchanges and clearing-houses. The Commission published in a *Federal Register* notice on June 22, 2000, a proposed rulemaking drafted by the division to regulate derivatives transaction facilities, recognized futures exchanges, and recognized clearing organizations (65 FR 39027). The comment period closed on August 7, 2000.
- **Denomination of Customer Funds and Location of Depositories.** The Commission published a concept release on December 30, 1997 to obtain the views of the public on how to address the risks related to holding segregated funds offshore or in foreign currencies (62 FR 67841). Division staff will continue informal discussions with industry participants concerning a proposed rule.

Regulation 1.59: Insider Trading Restrictions – On December 28, 1999, the Commission published a proposal to amend Commission Regulation 1.59 which addresses various trading prohibitions imposed on persons associated with self-regulatory organizations (SROs) (64 FR 72587). The comment period for the proposal ended January 27, 2000. The division will provide the Commission with a final rulemaking in this regard during the fourth quarter.

De-Mutualization – The division will continue considering proposals from the New York Mercantile Exchange (NYMEX) and the Chicago Board of Trade (CBT) to convert the exchanges from not-for-profit membership organizations to for-profit entities.

CPOs and CTAs – The division intends to recommend final rule amendments to Rule 4.7 that would combine the definitions of the terms "qualified eligible participant" (QEP) and "qualified eligible client" (QEC) into a single defined term, "qualified eligible person", and that would add categories of persons to the new definition. CPOs operating pools with only QEPs as participants are subject to fewer requirements in the areas of disclosure, recordkeeping, and reporting than is the case for pools with non-QEP participants, and CTAs have fewer disclosure and recordkeeping requirements with respect to accounts of QECs than for accounts of non-QECs. The proposed rule was published on March 2, 2000 (65 FR 11253).

CTA and CPO Performance Reporting and Disclosure Issues – On August 2, 1999, the Commission published a proposed rulemaking regarding CTA and commodity pools rate-of-return and disclosure issues (64 FR 41845). Comments on the proposed rule were received and staff will prepare a final rulemaking.

Capital Charge on Unsecured Foreign Broker Receivables – Staff will prepare a proposed amendment to Rule 1.17 to expand the current exemption from the five percent capital charge for unsecured foreign broker receivables. The purpose would modify the net capital treatment of unsecured receivables from foreign brokers to provide greater parity between FCMs and Rule 30.10 firms.

Offsetting Customer Deficits in the Segregation Account with Readily Marketable Securities – Staff will prepare a proposed amendment to Rule 1.32 to permit an FCM to offset a customer deficit in the segregation account with readily marketable securities deposited by such a customer. The rule amendment would expand no-action letters which limit securities that an FCM

may use to offset customer deficits to US Treasury instruments and certain Canadian government debt instruments.

Subordinated Loan Agreements – Staff will recommend final amendments in connection with Rule 1.17 which governs the capital treatment of subordination agreements.

Hedge Fund Reporting – Staff will analyze comments received in connection with a proposal to require persons trading commodity interests in certain large pools to file quarterly financial reports that include quantitative risk information.

Expansion of Permissible Investments for Segregated Customer Funds – Staff will recommend final amendments to Rule 1.25 to permit customer segregated funds to be invested in various additional instruments.

NFA's Compliance Rule 2-35(d) – Staff will prepare proposed revisions to Rule 4.21 to accommodate NFA's Compliance Rule 2-35(d). NFA's rule would permit CPOs to deliver a profile document containing key information about the pool to prospective participants prior to providing the pool's Disclosure Document.

Automated Trading Systems – The staff will evaluate requests for no-action relief filed by the London Securities and Derivatives Exchange, and Eurex CH with respect to access to their automated trading systems from within the US.

Klein Futures – The division will review and analyze the events leading to the problems at Klein Futures & Co. and responses thereto and will prepare recommendations as appropriate.

Office of International Affairs (OIA)—Goal Three Priorities:

IOSCO – OIA will continue to coordinate Commission activities within the IOSCO Technical Committee and working groups, including: completion within Working Party 2 on Secondary Markets on the development of principles for the oversight of cross-border electronic systems; completion of the drafting of a regulatory survey measuring international compliance with IOSCO Core Regulatory principles on "secondary markets"; work on a joint IOSCO-CPSS (Committee on Payment and Settlement Systems) Task Force on settlement systems; and work on the IOSCO Internet Task Force.

International Initiatives – OIA will continue to provide comment and guidance upon request to US Treasury staff regarding the Financial Stability Forum and other initiatives to strengthen global financial architecture.

Information Sharing – OIA will continue to work on information-sharing arrangements for regulatory purposes with Italian and French authorities.

Technical Assistance – OIA will continue to organize technical assistance activities, including potential completion of a statement of cooperation and technical assistance with Russian and Chinese regulatory authorities. OIA will organize the Commission's annual training seminar for foreign regulators.

Office of the General Counsel (OGC) — Goal Three Priorities:

Regulatory and Legislative Matters – As the Commission's chief legal advisor, OGC will continue to advise the Commission concerning proposed legislation to amend the CEA and other legislative and regulatory matters. OGC is currently engaged in negotiations with other federal financial regulators, including the Securities and Exchange Commission (SEC), the Department of the Treasury, and the Federal Reserve Board, as well as members of Congress and their staffs to develop legislative proposals to promote legal certainty in the over-the-counter derivatives markets, to provide regulatory reform for domestic futures exchanges, and to amend the Shad-Johnson Accord. There are currently several legislative proposals that have been drafted on both the House and the Senate sides, and staff will continue to review and analyze each of these proposals and make recommendations as appropriate. In addition, staff will continue to propose legislative language for this reauthorization. Finally, this reauthorization

process has generated numerous requests for information from members of Congress, and staff will continue to develop responses to these requests.

Foreign Stock Index Futures Contracts - The staff will continue to work with SEC staff to respond to requests for no-action relief regarding the offer and sale in the US of foreign stock index futures contracts.

De-Mutualization - The staff will continue to assist in the consideration of proposals from the NYMEX and the CBT to convert the exchanges from not-for-profit membership organizations to for-profit entities.

Division Priorities by Agency Goal: *Fourth Quarter, FY 2000*

<i>All Goals</i>

Office of the Executive Director—All Goals:

Staff Task Force on Regulatory Reform – A Commission-wide staff task force will analyze comments and begin drafting final rules designed to implement a new regulatory structure.

Intranet – OED will continue development and implementation of new features of the Commission's Intranet. Development of CFTC Docs, the Commission's new document management system, will continue throughout the fourth quarter.

Long Range IRM Planning – Electronic Data Systems (EDS) will submit a final report and make a presentation to the Commission and senior staff on its findings related to a comprehensive assessment of the OIRM program. During the fourth quarter, efforts will begin to analyze and implement the EDS findings and recommendations.

Technology Advances – OIRM will complete the deployment of equipment to upgrade the Washington, New York, and Chicago local area networks to 100,000,000 bit per second capacity during the fourth quarter. OFM will complete the upgrade of Travel Manager, the agency's travel management system, to a web-based version which will be easier to use and provide faster processing time. OFM will complete staff training on the new system. The Office of Administrative Services (OAS) will implement a tracking system for customer requests to better ensure timely completion of requests and customer satisfaction. OAS will install a digital ID system nationwide that will establish a secured database that identifies employees by automated pictures as well as personal identification.

Information Systems Contracting – During the fourth quarter OIRM and OFM will issue Requests for Proposals (RFPs) for general systems development support. The offices will continue development of a reengineered Exchange Database System and a commercial off the shelf system for litigation support. Interagency agreements will be negotiated for redesign of the CFTC Internet website and operation of the CFTC Internet Web site.

Special Events and Training – OHR will complete plans for the FY 2001 Training Program to include an Industry/Legal/Technical curriculum revision, course schedules, instructor recruitment, introduction of the Personal/Professional segment and a Management Training segment. OHR will complete and evaluate the eight-week Summer Intern Program. OHR will develop a Learning Seminar on the "The Federal Manager and Professional Liability Insurance" in concert with the relocation of the Employee Resource Center. OHR will continue outreach efforts with Alternative Dispute Resolution (ADR).

Human Resources Initiatives – OHR will present an overview of special pay and other flexibilities to senior staff as part of recruitment, retention, and succession planning activities. A review of performance appraisals and awards will be made and awards will be processed. Biennial timekeeper audits will be completed. OHR will prepare for the October 1, 2000 mandate to offer employees the option to pay for their Federal Employee's Health Benefits (FEHB) premiums on a pre-tax basis. OHR will provide the Office of Personnel Management (OPM) with annual information in support of agency participation in applicable government-wide special rate schedules. OHR will revise the script and functions of the agency vacancy announcement hotline in concert with OIRM. The Federal Personnel Management Institute will deliver a final report and presentation to the Office of the Chairman on an organizational review of the Division of Economic Analysis. OHR will open a new Employee Resource Center (ERC) located in the Commission's Library at headquarters. The new ERC will support an automated catalog of learning materials for circulation Commission-wide as part of its virtual center concept.

Space Management – OAS will equip main conference rooms with standard equipment to enhance capabilities of each room and ensure that all conference rooms are set up with

appropriate equipment in advance. OAS will also continue a nationwide effort to remove all excess property.

Financial Management – OFM will formulate the FY 2002 OMB Budget Estimate and the FY 2001-2002 Performance Plan and the FY 2000 Performance Report and submit to OMB. OFM will update the Strategic Plan; brief the Chairman on the Status of FY 2000 Funds; coordinate the year-end closing process of FY 2000 funds; upgrade the Federal Financial System to comply with new Treasury financial statement reporting requirements on budgetary accounts; develop a provisional Operating Budget for FY 2001; issue the Quarterly Performance Report for the third quarter and instructions for formulating the fourth quarter report; and issue the third quarter Management Account Structure Code Report (MASC). In addition, OFM will issue agency policy on conference planning and travel as required by the General Services Administration (GSA) Federal Travel Regulation policy on a paperless travel management system, and implement an inter-agency agreement with the Department of Transportation for the quarterly distribution of transit subsidies for the headquarters staff. This arrangement will reduce the Commission's liability by eliminating the need to physically procure, secure, and distribute Metrochecks and result in a net savings to the Commission in staff time devoted to this employee benefit. OFM will implement an agency-wide Travel Management Center contract to provide travel services to Commission staff. This will result in a net savings to the Commission in staff time devoted to this program by streamlining travel services currently provided by four travel management centers. OFM will work with Department of Interior (DOI), OAS, and OIRM to develop an agency-wide plan for implementing a Fixed Assets Subsystem that is integrated with the Commission's Federal Financial System. The subsystem will provide the agency with an inventory tracking system for asset acquisition, transfer, and disposal that is in compliance with the Joint Financial Management Improvement Program (JFMIP) Property Management Requirements, OMB Circular A-123 Management Accountability and Control, and OMB Circular A-127 Financial Management Systems, as prescribed in the Federal Managers' Financial Integrity Act, P.L. 97-255. OFM will also issue an RFP for litigation support software and related services to acquire an integrated product for document management, litigation support, case management, workflow tracking, and statistical reporting in support of the Division of Enforcement.

Summary of Accomplishments by Agency Goal: *Third Quarter, FY 2000*

Goal One: Protect the economic functions of the commodity futures and option markets.	
Division/Office	Areas of Accomplishment
Economic Analysis	Contract Market Designations New Contract Certification Filings Staff Task Force on Regulatory Reform Regulatory Issues of Single Stock Futures Foreign Stock Index No-Action Evaluation of Alternative Execution Procedures in Futures Markets Annual Review of Stock Index Margins Backgrounder
Legislative & Intergov'tal Affairs	Legislative Support Activities Liaison Activities
Enforcement	Trade Practice Speculative Limits Violation
General Counsel	Exemption from Registration for CTAs Legislative Support Activities Staff Task Force on Regulatory Reform

Goal Two: Protect market users and the public.	
Division/Office	Areas of Accomplishment
General Counsel	Commission Opinions and Orders Litigation Freedom of Information Act Ethics
Trading and Markets	Statutory Disqualification from Registration
Enforcement	Internet Project Cases Unauthorized Trading Fraudulent Activity Quick-Strike Matters Illegal Instruments Non-Fraud CTA Violations Statutory Disqualification Consumer Advisories Domestic Cooperative Enforcement

Goal Three: Foster open, competitive, and financially sound markets.	
Division/Office	Areas of Accomplishment
Trading & Markets	CME Block Trading Program Commodity Pool Exemption Restrictions on Withdrawal of Equity Capital from an FCM Hedge Fund Reporting Subordinated Loan Agreements Expansion of Permissible Investments for Segregated Customer Funds Capital Charges on Proprietary Futures and Option Positions Automated Trading Systems

COMMODITY FUTURES TRADING COMMISSION: QUARTERLY PERFORMANCE REVIEW

	Energy Products Federal Reserve Board (FRB) Margin Report CBT Rule Enforcement Review
Enforcement	Financial, Supervision, Compliance and Record Keeping International Cooperative Arrangements IOSCO Financial Action Task Force
International Affairs	International Cooperative Arrangements IOSCO International Initiatives
General Counsel	Foreign Stock Index Futures Contracts De-mutualization

All Goals	
Division/Office	Areas of Accomplishment
Executive Director	CFTC Chicago Data Center Financial Management Special Events and Training Human Resources Initiatives Reporting Administrative Services Technology Advances

Division Accomplishments By Agency Goal: *Third Quarter, FY 2000*

Goal One: Protect the economic functions of the commodity futures and option markets.

Division of Economic Analysis—Goal One Accomplishments:

Contract Market Designations – The Commission approved four designation applications including the CME fortune e-50 stock index future and option and the class IV milk future and option.

New Contract Certification Filings – Exchanges filed 17 contracts under the certification procedures of Commission Rule 5.3. These include the CME e-mini feeder cattle future and option, and the feeder cattle and lean hogs physical options; the MGE cottonseed oil future and option; and the New York Cotton Exchange (NYCE) currency and currency cross-rate futures and options based on the Australian dollar, Canadian dollar, Japanese yen, euro, Norwegian krone, and Swedish krone.

Staff Task Force on Regulatory Reform – Division staff participated in the task force on the CEA and Commission regulations. Notices of proposed rulemaking to implement the staff framework were approved by the Commission and forwarded to the *Federal Register* on June 8, 2000. The comment period ends on August 7, 2000. Staff also assisted in preparing material for the public meetings held on June 27 and 28, 2000.

Regulatory Issues of Single Stock Futures – Research staff continued to examine the behavior of the trading volume of select stock futures to trading volume of corresponding underlying stocks in the following foreign countries: Australia, Sweden, Hungary, and Hong Kong. Initial empirical evidence does not support the hypothesis that the introduction of single stock futures would reduce the trading volume of the underlying stock.

Foreign Stock Index No-Action – Market Analysis staff provided economic analyses regarding eight foreign stock index futures contracts for which OGC issued no-action letters.

Evaluation of Alternative Execution Procedures in Futures Markets – Research staff studied the realized bid-ask spreads of S&P 500 index futures and e-mini S&P 500 futures. Initial results of the study suggests that the average of bid-ask spreads of e-mini S&P 500 futures is higher than the average of S&P 500 futures on an equal value basis.

Annual Review of Stock Index Margins – The Market Surveillance staff, working with staff from Trading & Markets, completed the annual report to the Board of Governors of the Federal Reserve System describing the Commission's review of stock index futures and option margins. The report was sent to Chairman Greenspan on May 24, 2000.

Backgrounder – DEA updated the backgrounder, "*Speculative Limits, Hedging and Aggregation*," which is available on the Commission's Web page and added a table summarizing the speculative limit levels of all major futures contracts. The division began preparing a monthly summary of aggregate futures and option volume by exchange. This summary will be available before the Futures Industry Association (FIA) publishes its more detailed statistics.

Office of Legislative & Intergovernmental Affairs—Goal One Accomplishments:

Legislative Support Activities – OLIA coordinated testimony of C. Robert Paul, General Counsel of CFTC, before the House Committee on Banking and Financial Services for a hearing on Recommendations by the President's Working Group on Financial Markets on April 11, 2000. OLIA coordinated the testimony of Chairman Rainer before the Senate Committee on Banking, Housing, and Urban Affairs in Chicago for a hearing on the Financial Market Place of the Future on May 8, 2000. OLIA coordinated the testimony of General Counsel Paul before the House Agriculture Subcommittee on Risk Management, Research, and Specialty Crops for a hearing on H.R. 4541, *The Commodity Futures Modernization Act of 2000* on June 14, 2000. Finally, OLIA

coordinated the testimony of Chairman Rainer before a Joint Hearing of the Senate Agriculture Committee and the Senate Committee on Banking, Housing, and Urban Affairs to consider the Commodity Futures Modernization Act of 2000 on June 21, 2000.

Liaison Activities – OLIA continued to provide liaison for the Commission with GAO, including a study of electronic trading systems issued in May 2000.

Division of Enforcement—Goal One Accomplishments:

Trade Practice – The Enforcement program continued to pursue actions that address specific types of fraudulent trade practices affecting the interests of customers and the integrity of futures markets. For example, during the third quarter of FY 2000, the Enforcement program filed the following statutory disqualification actions that were generated by its efforts to protect market integrity: *In re Stephens*, CFTC Docket No. SD-00-04 (CFTC filed June 19, 2000); and *In re Laken*, CFTC Docket No. SD-00-05 (CFTC filed June 19, 2000). (See discussion re Goal Two accomplishments below.)

Speculative Limits Violation – During the third quarter of FY 2000, the Commission filed the following action alleging violation of a contract market's approved trading limits:

- *In re Thompson* – In May 2000, the Commission filed an order instituting administrative proceedings against and simultaneously accepting an offer of settlement from Howard E. Thompson, who has never been registered with the Commission. The order found that Thompson violated the Act and Commission regulations by exceeding a contract market's Commission-approved trading limit, filing a false report with the Commission, and failing to update that false report. Specifically, the order found that Thompson, beginning in approximately July 1995, controlled two accounts at a registered FCM - his personal account and the account of his sister-in-law and her husband. The order further found that, when aggregated, futures positions in the accounts Thompson controlled exceeded the position limits for frozen pork bellies at the CME on six trading days in August 1996. Finally, the order found that Thompson filed a Form 40 reportable position report with the Commission on September 18, 1995 that falsely stated that he did not control the futures trading of any other person, and he failed to update his inaccurate Form 40 from September 19, 1995 through January 31, 1997 even though he held or controlled a reportable position in frozen pork bellies in his account and/or the account of his sister-in-law and her husband on at least 300 trading days. Thompson, without admitting or denying the findings, consented to the entry of the order that ordered him to cease and desist from further violations of the Act and Commission regulations, as charged; ordered him to pay a \$50,000 civil monetary penalty; and imposed a 60-day trading ban. *In re Thompson*, CFTC Docket No. 00-19 (CFTC filed May 31, 2000).

Office of the General Counsel—Goal One Accomplishments:

Exemption from Registration for CTAs – As OGC recommended, the Commission adopted and accepted the final rule that exempts from registration requirements certain CTAs who provide advice by means of media such as newsletters, Internet Web sites, and non-customized computer software.

Legislative Support Activities – Staff drafted the testimony of C. Robert Paul, General Counsel to the Commission, before the House Committee on Banking and Financial Services for a hearing on Recommendations by the President's Working Group on Financial Markets on April 11, 2000 and before the House Agriculture Subcommittee on Risk Management, Research and Specialty Crops for a hearing on H.R. 4541, the Commodity Futures Modernization Act of 2000 on June 14, 2000. Staff also assisted in preparing Chairman Rainer for his May 8, 2000 testimony before the Senate Committee on Banking, Housing and Urban Affairs in Chicago and for a June 21, 2000 hearing on the Financial Market Place of the Future, and for his testimony before a Joint Hearing of the Senate Agriculture Committee and the Senate Committee on Banking, Housing and Urban Affairs to consider the Commodity Futures Modernization Act of 2000. Staff have engaged in ongoing discussion and negotiation with other federal financial regulators, including the SEC, the Department of the Treasury and the Federal Reserve Board, as well as members of Congress

and their staffs to provide regulatory reform for domestic futures exchanges and to amend the Shad-Johnson Accord.

Staff Task Force On Regulatory Reform – Staff participated in the work of the task force on regulatory reform. Notices of proposed rulemaking to implement the framework were published in the *Federal Register* on June 22, 2000 with the comment period ending on August 7, 2000.

Division Accomplishments By Agency Goal: *Third Quarter, FY 2000*

<i>Goal Two: Protect market users and the public.</i>

Office of the General Counsel—Goal Two Accomplishments:

Commission Opinions and Orders – OGC assisted the Commission in administrative adjudicatory matters, including the resolution of liability issues raised in *In re Nikkhah*, CFTC Docket No. 95-13 (May 12, 2000). The Commission's decision addressed issues of first impression affecting the allocation process for written order tickets that "bunch" the orders of several different customers into a single large order prior to execution. The Commission also issued decisions in two reparations cases raising issues of first impression, *Tak-Lung Lee v. Lind-Waldock & Co.*, CFTC Docket No. 99-R018 (June 29, 2000) and *Ferriola v. Kearse-McNeil*, CFTC Docket No. 98-R114 (June 30, 2000).

Litigation – The Commission obtained a partial victory from the US Court of Appeals for the 7th Circuit in *Slusser v. CFTC*, No. 99-2947 (7th Cir.), which was argued during the third quarter. The 7th Circuit affirmed the Commission's liability findings but remanded for reassessment of penalties. The Commission obtained dismissal of appeals on jurisdictional and other grounds in *CFTC v. Wuensch*, No. 00-10294 (11th Cir.)(interlocutory order); *Tucker et al. v. CFTC*, Nos. 99-4084, *et seq.* (2d Cir.)(timeliness-Reeves)(frivolous appeal-Tucker); *CFTC v. Chateauforte, et al.*, No. 00-12312-G (11th Cir.)(voluntary dismissal as to Busch in face of CFTC challenge on jurisdiction and fugitive disentitlement).

OGC argued *Agora, Inc. v. Born*, C.A., No. JFM98-3453 (D. Md.) during the third quarter and the Commission prevailed in its argument that the Commission's new rules covering registration of CTAs mooted Agora's constitutional arguments. OGC continued to represent the Commission in an action in United States District Court alleging discrimination in violation of the Rehabilitation Act and state law, *Schroeder v. Rainer*, No. 99-10330 (S.D.N.Y.).

OGC began the processing of third party subpoenas to the Commission for large collections of documents from the Commission's Copper and MG Refining investigations.

OGC continued to represent the Commission in bankruptcy cases including the FCM bankruptcy *In re Griffin Trading Co.*, No. 98-41742 (Bankr. N.D. Ill.), and the individual bankruptcies *In re Gordon*, No. 97-13903 (Bankr. S.D. FL) and *In re Klitin*, No. 98-80001 (Bankr. E.D.N.Y.).

Freedom of Information Act – Staff advised the Commission on issues arising under the FOIA and the Privacy Act and counseled the divisions in connection with FOIA requests for documents. Staff continued to oversee the review and production of documents related to the *Sumitomo* and *Merrill Lynch* proceedings and to work with outside counsel on related subpoenas.

Ethics – Staff provided counseling to Commission staff in connection with the preparation and filing of annual financial disclosure documents and have reviewed and approved a substantial number of disclosure documents. In addition, the office has commenced a review of the Commission's ethics program and responsibilities with a view to making changes in staffing and procedures, and preparing for an audit by the Office of Government Ethics in the fall of 2000.

Division of Trading and Markets—Goal Two Accomplishments:

Statutory Disqualification from Registration – On April 18, 2000, the Commission, at the division's recommendation, issued a revised "Guidance Letter" to NFA concerning the standards to be used by NFA when reviewing the disciplinary histories of applicants and registrants in the floor broker and floor trader registration categories. The revised Guidance Letter generally replaces the prior Guidance Letter issued in December 1997, which directed NFA to apply an enhanced version of the standards set forth in Commission Rule 1.63 (which governs the standards for service on SRO boards) when evaluating whether SRO disciplinary actions constitute "other good cause" to deny, condition, or revoke registration pursuant to Section 8a(3)(M) of the Act. The revised Guidance Letter advises NFA to cease applying the Rule 1.63

approach and instead to use the standard articulated in *In re Clark*, CFTC Docket No. SD 93-2 (statutory disqualification may arise if the disciplinary history consists of a pattern of exchange disciplinary actions alleging serious rule violations that resulted in significant sanctions).

Division of Enforcement—Goal Two Accomplishments:

Internet Project Cases - On May 1, 2000, the Commission announced the initial results of a coordinated enforcement initiative aimed at cleaning up Internet Web sites that fraudulently promote commodity trading systems and advisory services to the general public. As part of the initiative, the Commission, in coordination with the Federal Trade Commission (FTC) and the US SEC, coordinated the filing and simultaneous settlement of the following ten administrative enforcement actions. The respondents, without admitting or denying the findings, consented to the entry of the orders that ordered them to cease and desist from further violations as charged and that further ordered them to comply with their undertakings to: not misrepresent the risks or results associated with any commodity futures or option trading system or advisory notice; not present any hypothetical trading performance without a disclaimer; and not make any representation regarding the financial benefits of any trading system or advisory notice without first prominently disclosing that futures trading involves high risks with the potential for substantial losses. Civil monetary penalties of \$10,000 were imposed against all respondents except those who demonstrated a financial inability to pay the penalty based upon evidence of their financial condition including a sworn financial disclosure statement.

- *In re Mohamed Najib Taybi*, CFTC Docket No. 00-12 (CFTC filed May 1, 2000) – From November 1998 to March 2000, fraudulent solicitation of customers for system for trading Japanese yen futures contracts (www.yenman.com).
- *In re Michael P. Calo d/b/a First Financial Trading*, CFTC Docket No. 00-17 (CFTC filed May 1, 2000) – From early 1996 through December 1999, fraudulent solicitation of customers for a newsletter providing futures trading recommendations and the purported results of prior futures trading recommendations (www.insiders-report.com).
- *In re Ellery Coleman d/b/a Granite Investments*, CFTC Docket No. 00-16 (CFTC filed May 1, 2000) – From July 1998 until May 2000, fraudulent solicitation of customers for various products and services to assist customers in daytrading S&P 500 futures, including computer-run commodity trading systems and on-line training (www.choicedaytrades.com).
- *In re Paul B. Judd*, CFTC Docket No. 00-13 (CFTC filed May 1, 2000) – From 1997 until February 2000, fraudulent solicitation of customers to purchase a commodity options trading course and a fax advisory service.
- *In re Oasis Publishing Corporation, et al.*, CFTC Docket No. 00-09 (CFTC filed May 1, 2000) – From at least 1996 until May 2000, fraudulent solicitation of customers for training, “daily educational market updates” and advisory services to assist in the trading of futures contracts (www.pr-success.com and www.risktaker.com).
- *In re Eron Demian Read d/b/a New Age Trading Techniques, et al.*, CFTC Docket No. 00-14 (CFTC filed May 1, 2000) – From November 1999 until May 2000, fraudulent solicitation of customers for a commodity futures daytrading system and related services (www.natt.net).
- *In re Christopher Salter d/b/a Christopher Fenwick*, CFTC Docket No. 00-18 (CFTC filed May 1, 2000) – Fraudulent solicitation of customers for a home-study futures trading course (www.learntoprofit.com/futures/index.htm).
- *In re Ronald J. Schoemmell, et al.*, CFTC Docket No. 00-10 (CFTC filed May 1, 2000) – From November 1998 until May 2000, fraudulent solicitation of customers for a commodity trading course and methodology (www.rsofhouston.com).

- *In re John B. Reilly*, CFTC Docket No. 00-11 (CFTC filed May 1, 2000) – From 1998 until February 2000, fraudulent solicitation of customers for a commodity futures and options trading course and system (www.bonds2000.com).
- *In re Trendy Systems, LLC, et al.*, CFTC Docket No. 00-15 (CFTC filed May 1, 2000) – From 1996 until March 2000, fraudulent solicitation of customers for access to five, computer-run commodity futures trading systems (www.trendysystems.com).

Unauthorized Trading – During the third quarter of FY 2000, the Commission filed the following enforcement action alleging an unauthorized trading violation:

- *In re Mock* – On June 27, 2000, the Commission filed a one-count administrative complaint against Dale Luther Mock, who was a registered associated person (AP) of an IB from June 1997 to September 1998. The complaint alleged that Mock violated the Act and Commission regulations by engaging in unauthorized trading and by transferring trades into customer accounts without their authorization. Specifically, the complaint alleged that, in July and August 1998, Mock executed a total of nine trades, in six customer accounts, without the customers' authorization. The complaint further alleged that, when two customers complained about two of the unauthorized trades, Mock willfully directed the FCMs who maintained those two accounts to transfer the two trades into the accounts of two other customers without the authorization of the latter two customers. *In re Mock*, CFTC Docket No. 00-22 (CFTC filed June 27, 2000).

Fraudulent Activity – These cases involve registered and unregistered CTAs, CPOs, and/or FCMs who violate the anti-fraud provisions of the Act and Commission regulations. From April 2000 through June 2000, the Commission filed the following enforcement actions alleging such violative conduct:

- *In re Kim, et al.* - In June 2000, the Commission filed an order instituting administrative proceedings against and simultaneously accepting the offers of settlement from Houston System Trading, LLC (HST), which operated three commodity pools and several managed accounts, Seungho Kim, who is the president and sole owner of HST, and John Ki Park, a registered AP of Paradigm Securities, Inc., a registered CTA. Neither Kim nor HST is registered with the Commission in any capacity. The order found that Park helped Kim form HST, shared office space and equipment with HST, and would, on occasion, answer the phone for HST. The order found that HST and Kim – aided and abetted by Park - fraudulently solicited pool participants and client accounts by representing, among other things, that investors' losses would be limited to 20 percent of their initial investment; misrepresenting the trading track record of HST and Kim; and misrepresenting hypothetical trading results as actual trading results. The order further found that Park repeated to certain HST investors the loss limit and trading record misrepresentations. Finally, the order found, among other violations of the Act and Commission regulations, that: Kim and HST committed fraud; HST (acting as a CPO and CTA) and Kim (acting as an AP of a CPO and CTA) failed to register with the Commission; HST failed to make required reports to pool participants and failed to make and keep required books and records; and Park aided and abetted the fraud of HST and Kim. The respondents, without admitting or denying the findings, consented to the entry of the order that: ordered the respondents to cease and desist from further violations of the Act and regulations, as charged; imposed a six-month trading ban on the respondents; suspended Park's AP registration for six months; ordered Kim (\$86,498, plus pre-judgment interest of \$14,000) and Park (\$35,000, plus pre-judgment interest of \$6,200) to pay restitution pursuant to a payment plan; ordered Kim (\$50,000) and Park (\$35,000) to pay a civil monetary penalty pursuant to a payment plan contingent upon their fulfillment of their restitution obligations; ordered Park to comply with his undertaking not to apply for registration or seek exemption from registration with the Commission in any capacity for a period of six months; and ordered Park to comply with his undertaking to, for a period of five years, neither act as a principal, partner, officer, or branch manager of an entity registered or required to be registered with the Commission nor act in any supervisory capacity over any person registered or required to be registered with the Commission. *In re Kim, et al.*, CFTC Docket No. 00-24 (CFTC filed June 29, 2000).

- *In re Lavender* - In June 2000, the Commission filed an order instituting administrative proceedings against and simultaneously accepting the offer of settlement from Ira M. Lavender. The order found that Lavender, from February 1999 to September 1999, directed the trading in ten commodity futures trading accounts and generally held himself out to the public as a CTA. According to the order, Lavender had agreements with at least three of his clients that he would receive a percentage of any trading profits in the accounts. The order found that Lavender's failure to register with the Commission was a violation of the Act. The order further found that Lavender violated the Act by fraudulently soliciting customers by misrepresenting the likelihood of generating profits from trading commodity futures. Lavender, without admitting or denying the findings, consented to the entry of the order that: ordered him to cease and desist from further violations, as charged; permanently prohibited him from trading; and ordered him to comply with his undertakings never to apply for registration with the Commission or engage in an activity that requires such registration, and never to act as a principal, agent, or officer of any person registered, exempted from registration, or required to be registered with the Commission. *In re Lavender*, CFTC Docket No. 00-23 (CFTC filed June 29, 2000).
- *In re Bengson* - In June 2000, the Commission filed a one-count administrative complaint against Timothy M. Bengson, who was a registered AP of an FCM during the time of the alleged violative conduct - June 1995 to February 1997. The complaint alleged that Bengson violated the Act by, among other things, fraudulently allocating trades and deceiving customers by failing to disclose to them that he misappropriated and/or allocated trades either to or from their accounts. Specifically, the complaint alleged that Bengson fraudulently allocated profitable trades from customer accounts, which he handled as an AP, to his girlfriend's account and his error account. The complaint further alleged that of the 142 round-turn trades Bengson made in his girlfriend's account, 134 (or 94 percent) were profitable, and the account had profits totaling approximately \$50,000. The complaint specifically alleged that Bengson fraudulently allocated at least 21 trades during the relevant period. *In re Bengson*, CFTC Docket No. 00-21 (CFTC filed June 27, 2000).

Other Enforcement Results: During the third quarter of FY 2000, the Commission obtained results in the following cases previously filed in this area:

- *CFTC v. Schenk et al.*, No. 2:98 CV 00216J, Consent Order of Permanent Injunction and Other Equitable Relief Against Brian Tobler (D. Utah entered April 7, 2000) (commodity pool fraud; consent order found that Tobler, among others, fraudulently operated three commodity pools, issued false statements and misappropriated customer funds; enjoined Tobler from further violations, as charged; prohibited Tobler from seeking registration or acting in any capacity requiring registration with the CFTC; imposed a 10-year trading ban; and ordered Tobler to disgorge profits in the amount of \$5,850); and *CFTC v. Schenk et al.*, No. 2:98 CV 00216J, Order of Permanent Injunction and Other Equitable Relief (D. Utah entered May 22, 2000) (order found that John Larry Schenk, Sam Gray, and Fidelity Traders Group Inc. participated in the fraudulent operation of four commodity pools; ordered defendants to cease and desist from further violations, as charged; prohibited defendants from soliciting or accepting new clients or participants for commodity futures and options trading; prohibited defendants from controlling or directing the trading of any commodity interest account for any other person; ordered Schenk and Gray to pay, jointly and severally, \$449,878.85 in restitution; ordered Schenk (\$175,687) and Gray (\$29,465) to disgorge their profits; and ordered both Schenk and Gray also to pay civil monetary penalties of \$175,687 and \$29,465, respectively).
- *CFTC v. James*, No. 1:99-CV-967A JEC, Order of Permanent Injunction and Other Equitable Relief (N.D. Ga. entered May 8, 2000) (commodity pool fraud; consent order found that Donald James and Donald James, Inc., a Georgia corporation, violated the anti-fraud provisions of the Act by representing that all investor funds – more than \$5 million – would be used to trade futures while actually investing less than \$200,000; falsely stating that investors were earning profits from futures, and misappropriating customer funds; enjoined defendants from further violations, as charged; ordered James

to pay \$3,331,538 in restitution; and prohibited defendants from soliciting funds, controlling or directing the trading of commodity accounts on behalf of any other person or entity, or claiming exemption from registration with the CFTC; James was sentenced to 51 months in prison on mail fraud charges brought in a related criminal investigation that featured CFTC cooperation).

Quick-Strike Matters - The Enforcement program is committed to responding quickly to investigations that uncover ongoing fraud. Quick-strike cases are civil injunctive actions that are generally filed in federal district courts within days or weeks of the discovery of the illegal activity, enabling the program to stop fraud at an early stage and to attempt to preserve customer funds. In the third quarter of FY 2000, the Commission filed the following quick-strike matter:

- *CFTC v. Konkel* – In May 2000, the Commission filed a four-count civil injunctive action against Michael James Konkel (individually and doing business as Venture Fund, Ice Capital Management, Inc., Ad Astra, Inc., and The Inscape Funds). Konkel was registered as an AP of an IB from October 1996 to approximately February 1999. The complaint charged Konkel with: violating the anti-fraud provisions of the Act and Commission regulations; violating the Act by operating a commodity pool without being registered with the Commission; and violating the Act and Commission regulations by commingling pool property, failing to report to pool participants and failing to deliver required disclosure documents. Specifically, the complaint alleged that Konkel, from 1996 through the time the complaint was filed, defrauded at least 15 individuals who invested at least \$640,000 into a pooled investment vehicle (the “Fund” or “Ice Fund”) that he purported would be invested into different areas, including commodity futures trading. Konkel was alleged to have fraudulently solicited prospective customers by falsely claiming: that the Ice Fund had positive trading results; that “the commodity pool . . . is at the CFTC and NFA for regulatory approval;” and that investor funds would be guaranteed. Konkel is further alleged to have: commingled investor funds by depositing investor monies into several personal accounts; intermittently provided false and misleading account statements to investors; and failed to deliver the required disclosure documents to his prospective customers and failed to receive from such prospective customers a signed acknowledgement of receipt of same. *CFTC v. Konkel*, No. 00-T-574-5 (M.D. Ala. filed May 1, 2000). On the same date that the complaint was filed, the Court entered an *ex parte* statutory restraining order freezing assets, preserving books and records, and allowing Commission staff access to books and records.

Illegal Instruments – The Enforcement program also investigates and prosecutes the sale of illegal futures and option contracts to the public. During the third quarter of FY 2000, the Commission filed the following enforcement action in this area:

- *CFTC v. National Bullion and Coin, Inc., et al.* – In June 2000, the Commission filed a two-count civil injunctive action against National Bullion and Coin, Inc., d/b/a National Bullion & Coin Services, Inc. (NB&C) (a telemarketing firm that solicits customers to enter into precious metals transactions), Capital Credit Management & Finance, Inc. (CCMF) (which purports to finance and store precious metals for NB&C customers), Lawrence Colman (president and registered agent of NB&C and CCMF), and Joseph B. Flanigan (owner of NB&C and CCMF). None of the defendants is registered with the Commission in any capacity. The complaint alleged that the defendants violated the Act and Commission regulations by fraudulently telemarketing illegal futures contracts in precious metals. Specifically, the complaint alleged that, since approximately September 1998, NB&C falsely represented that it would purchase and store metals for customers. NB&C is further alleged to have represented to customers that they could choose to have CCMF finance their metals purchases and store the metals. In reality, the complaint alleged the following: CCMF did not lend customers money; delivery only occurred in a few instances; and neither NB&C nor CCMF actually purchased and stored metals as claimed. NB&C, Colman, and Flanigan were also alleged to have issued to customers phony “letters of confirmation” and to have made misrepresentations as to the risks, profits, and the actual existence of the precious metals involved in the purported financed precious metals transactions. *CFTC v. Nat'l Bullion and Coin, Inc., et al.*, No. 00-6885 CIV-ZLOCH (S.D. Fla. filed June 28, 2000). On the day after the complaint was filed, the

court entered a statutory restraining order that: appointed a receiver; froze the defendants' assets; ordered them to make an accounting of their assets to the Commission and the receiver; restrained the defendants from destroying their business and/or personal finance records; and ordered the defendants to allow the Commission to inspect the defendants' books, records, and other documents.

Non-Fraud CTA Violations – During the third quarter of FY 2000, the Commission filed the following enforcement action in this area:

- *In re Harley* - In May 2000, the Commission filed an order instituting administrative proceedings against and simultaneously accepting an offer of settlement from Stanley C. Harley. The order found that Harley acted as an unregistered CTA in violation of the Act. Specifically, the order found that Harley, between November 1998 and March 2000, held himself out to the public as a CTA and directed the trading in numerous commodity futures trading accounts pursuant to powers of attorney. The order further found that Harley violated the Commission's regulations by failing to deliver the required disclosure documents to his prospective customers and by failing to receive from such prospective customers a signed acknowledgement of receipt of same. Without admitting or denying the Order's findings, Harley consented to entry of the order that: ordered him to cease and desist from further violations of the Act and Commission's regulations, as charged; and ordered him to pay a \$10,000 civil monetary penalty. Harley was also ordered to comply with his undertakings to: not falsely represent to the public that he is registered with the SEC as an Investment Advisor, or that he is qualified for exemption from registration with the Commission as a CTA; and to not engage in any activity requiring registration with the Commission, other than direct his current customers' commodity interest accounts "for liquidation only," until he is registered with the Commission and has distributed the required disclosure documents and received the required acknowledgements. *In re Harley*, CFTC Docket No. 00-20 (CFTC filed May 31, 2000).

Statutory Disqualification – The Enforcement program investigates and prosecutes administrative registration cases based on statutory disqualification (SD). While most SD actions are commenced by the NFA as part of its delegated authority to handle registration functions for the Commission, the Commission has retained authority to act directly in appropriate cases. Examples of these cases filed in the third quarter follow:

- *In re Stephens* – In June 2000, the Commission issued a Notice of Intent to Suspend or Modify Registration against William M. Stephens, a registered AP of Husic Capital Management, a San Francisco CTA. The Commission's Notice alleged that Stephens' registration is subject to suspension or modification pending the resolution of an eight-count indictment in the Southern District of New York charging Stephens with various felonies, including conspiracy to commit fraud by an investment advisor, illegal pension kickbacks, racketeering, and wire fraud. *In re Stephens*, CFTC Docket No. SD 00-04 (CFTC filed June 19, 2000).
- *In re Laken* – In June 2000, the Commission issued a Notice of Intent to Suspend or Modify Registration against Glenn B. Laken, a registered floor broker holding trading privileges at the CME. The Commission's Notice alleged that Laken's registration is subject to suspension or modification pending the resolution of two multiple count indictments in the Southern District of New York charging Laken with various felonies, including illegal pension kickbacks, racketeering, wire fraud, securities fraud, and conspiracy to commit stock promotion fraud. *In re Laken*, CFTC Docket No. SD 00-05 (CFTC filed June 19, 2000).

Consumer Advisories – In the third quarter of FY 2000, the Commission issued one new Consumer Advisory. In general, Consumer Advisories alert the public to warning signs of possible fraudulent activity and list precautions individuals should take before committing funds. The Commission issued a press release regarding the Advisory to consumer publications and posted the text of the Advisory on the Commission Web site (<http://www.cftc.gov/opa/alerts.htm>) and with several futures-related Internet newsgroups.

- *Commodity Trading Systems Advisory* – On May 1, 2000, the Commission issued a Consumer Advisory warning the public about Web sites selling commodity trading systems that guarantee high profits with minimal risk. The Advisory warns consumers that: commodity futures and options are typically high risk endeavors; no computer trading system can guarantee profits; and the hypothetical results used by many trading system promoters to advertise their systems can be unreliable.

Domestic Cooperative Enforcement - The Commission's cooperative enforcement efforts are an important part of the Commission's ability to promote compliance with, and deter violations of, the Act. Although the Commission cannot publicly describe the nature of the assistance obtained or given in connection with pending investigations, the following is a sampling of cases filed during the third quarter of FY 2000 in which the Enforcement program coordinated its efforts with domestic authorities:

- *CFTC v. AC Trading Group, Inc. et al.* – The United States Attorney for the Northern District of California announced that on April 14, 2000 Fred Eric DeJong (DeJong), principal of AC Trading Group, Inc., pled guilty to one count each of mail fraud and money laundering in violation of 18 USC § 1341 and 1956(a)(1)(A)(i). Alexis Carles (Carles), a co-defendant, previously pled guilty to one count of mail fraud arising from the same charges. *CFTC v. AC Trading Group, Inc. et al.*, No. CR-99-0517 (N.D. Cal.). These criminal actions grew out of a three-count civil injunctive action against DeJong, Carles, and AC Trading Group, Inc. filed by the Commission in the United States District Court for the Northern District of California on April 17, 1997. The criminal prosecution of DeJong and Carles is a direct result of the evidence developed in the Commission's injunctive case against the defendants. During the two-year criminal investigation by the FBI, the division assisted the case agents and the Assistant United States Attorney assigned to the investigation and prosecution of DeJong and Carles. The division analyzed the trading patterns in the commodity accounts and interpreted the false account statements created by the defendants. *CFTC v. AC Trading Group, Inc. et al.*, (N.D. Cal. Civ. No. 97-1360).
- *In re Coleman* – The Commission coordinated investigation with the FTC, with both agencies filing administrative actions and simultaneous settlements in May 2000. *In re Coleman, d/b/a Granite Investments*, CFTC Docket No. 00-16 (CFTC filed May 1, 2000).
- *United States v. James* – On March 16, 2000, Donald E. James was sentenced to 51 months in a federal penitentiary and three years of supervised release and ordered to pay restitution of \$3.3 million. *United States v. James* (N.D. Ga. Mar. 16, 2000). On April 15, 1999, the Commission had filed a related civil injunctive action alleging that James and Donald James, Inc. defrauded investors in two commodity pools. See *CFTC v. James, et al.*, 99-Civ-0967 (N.D. Ga. filed April 15, 1999). A consent order of permanent injunction was entered against the defendants in the civil action on May 8, 2000.
- *In re Lavender* – In June 2000, the Commission filed and simultaneously settled this administrative enforcement action charging that Ira M. Lavender committed fraud while acting as an unregistered CTA. In April 2000, Lavender had consented to the imposition of a cease and desist order in an enforcement action brought by the Arizona Corporation Commission (ACC). *Az. Corp. Comm'n v. Lavender*, Docket No. S-03381A-00-0000, Order of Relief and Consent to Same (April 28, 2000). The ACC provided valuable assistance to the Commission during its investigation of the matter. *In re Lavender*, CFTC Docket No. 00-23 (CFTC filed June 29, 2000).
- *United States v. Rossi, et al.* – In April 2000, Robert C. Rossi, Steven G. Soule, and Kyler F. Lunman, II pled guilty to one count each of wire fraud in a scheme to divert profitable energy futures trades from Coastal Corporation to other accounts. The defendants pled guilty in exchange for a government agreement to drop 17 other charges of commodity fraud, money laundering, and conspiracy. *United States v. Rossi, et al.*, Crim. No. H-99-00, Plea Agreements (S.D. Tex. filed April 11, 2000). The Commission coordinated with the US Department of Justice the filing of its related amended administrative complaint. See *In re Soule, et al.*, CFTC Docket No. 99-4 (CFTC filed Dec. 22, 1998, amended Feb. 4, 1999).

- *United States v. Walters* – On June 1, 2000, Max E. Walters was sentenced to 27 months imprisonment and ordered to pay restitution of \$1,415,000. *United States v. Walters*, (W.D. Mo. June 1, 2000). In August 1999, the Commission filed a related administrative action against Walters alleging that as general partner in a limited partnership he defrauded both the partnership and the limited partner out of more than \$1 million in connection with commodity futures and options trading. *In re Walters*, CFTC Docket No. 99-15 (CFTC filed Aug. 9, 1999). On April 4, 2000, the division obtained summary disposition as to liability and nonmonetary sanctions. The rest of the enforcement action remains pending.

Division Accomplishments By Agency Goal: *Third Quarter, FY 2000*

<i>Goal Three: Foster open, competitive, and financially sound markets.</i>

Division of Trading & Markets—Goal Three Accomplishments:

CME Block Trading Proposal – On May 19, 2000, based upon a recommendation from the division, the Commission approved a proposal from the CME to establish block trading procedures at the CME. Under the proposed procedures, qualified market participants would be allowed to negotiate and arrange futures transactions of a minimum size bilaterally away from the centralized, competitive market. Once the specific terms of the block transaction are agreed to, the counterparties would report the relevant details of the transaction to the exchange for clearing and settlement.

Commodity Pool Exemption – The Commission adopted a final rule amendment adding to those entities considered not to constitute commodity pools under Rule 4.5, employee benefit plans defined as "church plans" under the Employee Retirement Income Security Act of 1974 (ERISA). The rule amendment was published on April 25, 2000 (65 FR 24127).

Restrictions on Withdrawal of Equity Capital from an FCM – On April 21, 2000, the Commission published final rule amendments easing certain restrictions on the withdrawal of equity capital from an FCM or IB (65 FR 21309).

Hedge Fund Reporting – On April 17, 2000, the Commission published a proposed rule which would require all persons trading commodity interests in certain large pools to file quarterly financial reports that include quantitative risk information (65 FR 20395). The proposed Commission rule is in response to a recommendation of the President's Working Group on Financial Markets.

Subordinated Loan Agreements – On June 2, 2000, the Commission published proposed amendments to Rule 1.17 which would ease the regulatory burden imposed on SROs, FCMs, and IBs by allowing SROs to rely on a securities-designated examining authority's approval of any proposed subordination agreement, proposed prepayment of a subordinated loan, or reduction in such a loan (65 FR 35304).

Expansion of Permissible Investments for Segregated Customer Funds – On June 22, 2000, the Commission published a proposed amendment to Rule 1.25 that would permit customer-segregated funds to be invested in various additional instruments (65 FR 39008).

Capital Charges on Proprietary Futures and Option Positions – On June 30, 2000, the division issued a letter granting no-action relief to an FCM that, in computing its adjusted net capital, does not take full capital charges for open futures contracts associated with its market making activities in the Goldman Sachs's Commodity Index (GSCI) futures contract. The no-action position applies to futures contracts that the FCM uses to hedge its positions in the GSCI futures contract.

Automated Trading Systems – The division issued a no-action letter to the Hong Kong Futures Exchange Ltd. (HKFE) on June 9, 2000 in connection with the placement of terminals in the US to provide access to HKFE's automated trading system. The Commission also issued a Statement of Policy on June 30, 2000 stating that foreign exchanges that had already received no-action relief could trade additional contracts upon notice to the Commission, obviating the need for subsequent no-action letters (65 FR 41641).

Energy Products – On June 30, 2000, the division issued a letter granting no-action relief in connection with the operation of a proposed electronic trading platform for the trading, among commercial entities that qualify as "eligible swap participants", of physical commodities and derivative products involving crude oil, heating oil, unleaded gasoline, and jet kerosene (other commodities may be added later).

Federal Reserve Board Margin Report – The division assisted DEA with preparation of the Commission's seventh annual report to the Board of Governors of the Federal Reserve System on stock index futures margins, which was issued on June 6, 2000. The Commission is required to report annually to the FRB concerning stock index futures margins, pursuant to authority delegated by the FRB to the Commission in 1993. DEA prepares the report which discusses margin levels. The division assists DEA by reviewing other risk management program features of the exchanges and clearing organizations where stock index futures products are traded and cleared.

CBT Rule Enforcement Review – On June 30, 2000, the division issued a report on its review of the trade practice surveillance and disciplinary programs of the CBT. The division found that the CBT maintained adequate trade practice surveillance and disciplinary programs, conducting thorough, well-analyzed, and adequately supported trade practice investigations and in most cases imposing adequate sanctions. The division noted that use of the CBT's Sophisticated Market Analysis Research Technology system had significantly enhanced the CBT's trade practice surveillance capabilities. The division found that the CBT continued to have a problem with delays in completing trade practice investigations and recommended that the CBT focus substantial attention on timely completion of investigations in order to achieve significant improvements in timeliness. The division also recommended improvements in particular aspects of the CBT's trade practice surveillance and disciplinary programs.

Division of Enforcement—Goal Three Accomplishments:

Financial, Supervision, Compliance and Record-Keeping – In its efforts to promote sound practices of firms handling customer funds, the Enforcement program investigates and prosecutes registrants' failures to supervise diligently the handling of customer accounts and failures to establish adequate compliance systems to prevent fraud or market abuse, as well as other financial violations. The Commission's enforcement actions to remediate fraudulent activity frequently seek to address violative conduct in this program area as well. During the third quarter of FY 2000, the Enforcement program filed the following enforcement actions (described in Goal Two Accomplishments above) that, in part, also addressed these Goal Three violations: *CFTC v. Konkel*, No. 00-T-574-5 (M.D. Ala. filed May 1, 2000); and *In re Kim, et al.*, CFTC Docket No. 00-24 (CFTC filed June 29, 2000).

During the third quarter of FY 2000, the Enforcement program also achieved the following results in an enforcement action previously filed in this area:

- *In re Mitsopoulos* – In April 2000, the Commission issued an order accepting offers of settlement from two former Refco, Inc. phone clerks for record-keeping violations arising out of a fraudulent trade allocation scheme perpetrated by Capital Insight Brokerage, Inc (Capital). Without admitting or denying the allegations in the complaint, respondents Margaret Dull and Richard Marisie, who were registered floor brokers at the time of the conduct in question, consented to the entry of the order that found that they had violated the Act and Commission regulations by not obtaining account identification information at the time they received orders from Capital, and further found that they aided and abetted Refco's record-keeping violations. As sanctions, the Commission: ordered them to cease and desist from further violations, as charged; ordered them to comply with their undertaking to restrict for two years their order taking activities with respect to orders placed for others; ordered Marisie to comply with his undertaking to restrict his FB registration for a period of two years; ordered Dull to similarly restrict her registration should she register with the Commission within the next two years; and ordered Dull and Marisie to each pay \$15,000 in civil monetary penalties. CFTC Docket No. 99-17, Order Making Findings and Imposing Remedial Sanctions As To Respondents Margaret Dull And Richard Marisie (CFTC entered April 10, 2000).

International Cooperative Arrangements – On May 16, 2000, the Commission and the SEC signed an MOU with the Monetary Authority of Singapore (MAS) concerning consultation, cooperation, and the exchange of information. Recent Singapore legislation (issued March 2000) has granted the MAS authority to cooperate with foreign securities and futures authorities. The MOU provides a framework for information sharing, thereby facilitating cooperation in cross-border investigations of potential violations of securities and futures laws.

IOSCO – On June 15 and 16, 2000, the CFTC and the SEC hosted jointly a second Internet Surveillance Training Program for relevant enforcement staff from IOSCO Working Party 4 (Working Party on Enforcement and Exchange of Information) members. The program was held at the Commission's Washington, DC headquarters. This training program brought together experts from regulators with Internet enforcement programs to provide instruction on areas such as the use of search engines for detecting securities and/or futures offenses, Internet resources that identify authors of anonymous newsgroup postings and e-mail messages, and methods of preserving and authenticating electronic evidence. This program also included a panel discussion on the organization of Internet surveillance and Internet enforcement programs. The Commission reached out to foreign authorities as well as domestic, such as the FBI, to share their knowledge and experiences at the training program. The program was attended by 22 participants from 19 different jurisdictions.

Financial Action Task Force – The Financial Action Task Force (FATF) is an international organization, presently comprised of over 25 countries, created by the Group of Seven Industrialized Nations (G-7) to formulate international anti-money laundering initiatives. During FY 2000, FATF has focused attention on identifying those jurisdictions it deems to be non-cooperative money laundering jurisdictions. The Commission assisted and advised the US FATF delegation in its process of drafting reports regarding potential non-cooperative jurisdictions. In its June 22, 2000 report, FATF identified the first 15 such non-cooperative jurisdictions. The G-7 nations intend to issue advisories regarding these jurisdictions, and the Commission, through the Money Laundering Working Group, is currently assisting and advising the US Treasury in the drafting of its advisories.

Office of International Affairs – Goal Three Accomplishments:

International Cooperative Arrangements – OIA finalized an Arrangement on Warehouse Information Sharing that was entered into between the Commission and the UK Financial Services Authority (FSA) enhancing the existing US-UK Memorandum of Understanding (MOU) on Mutual Assistance and the Exchange of Information. The new arrangement is intended to facilitate the exchange of information between the Commission and the FSA for surveillance and enforcement purposes regarding deliverable commodities that are traded in both jurisdictions.

OIA finalized an exchange of letters executed by the CFTC and Italian Commissione Nazionale per le Società e la Borsa (CONSOB) to supplement the existing MOU in order to facilitate the exchange of information related to the listing of equity-based futures contracts.

IOSCO – OIA staff continued to participate in Technical Committee drafting groups that are preparing surveys for a high-level self-assessment on the extent to which the Objectives and Principles of Securities Regulation (Core Principles) have been implemented. OIA prepared a draft survey on evaluating compliance with secondary markets Core Principles and coordinated staff responses to the regulator, issuer, and "high level" questionnaires. OIA also coordinated the Commission's activities within the Technical Committee's working group on secondary markets. OIA represented the Commission at a working group meeting in the group which is developing a report on the regulation of electronic trading systems and is participating in the development of principles for the oversight of cross-border systems. OIA participated in a joint meeting of IOSCO Working Party 2 and the Committee on Payment and Settlement Systems which is examining standards for cross-border settlement.

International Initiatives – OIA continued to coordinate the Commission's responses to position papers distributed by the Department of the Treasury in connection with its representation on the Financial Stability Forum.

Office of the General Counsel – Goal Three Accomplishments:

Foreign Stock Index Futures Contracts - The office met with senior staff of the SEC to develop an expedited process for facilitating the disposition of requests for no-action letters by the office regarding the offer and sale in the US of foreign stock index futures contracts. Employing the new process, the office responded to fifteen pending requests.

De-Mutualization - The staff assisted in the consideration of the proposal from the CME to convert the exchange from a not-for-profit membership organization to a for-profit entity.

Division Accomplishments By Agency Goal: *Third Quarter, FY 2000*

<i>All Goals</i>

Office of the Executive Director— All Goals Accomplishments:

CFTC Chicago Data Center – During the third quarter, the CFTC Chicago Data Center was permanently closed in compliance with OMB directive 96-03. All information systems were migrated to other systems.

Financial Management – OFM submitted the FY 1999 Annual Performance Report to Congress. OFM briefed the Chairman and the Chief of Staff on the Status of the FY 2000 Operating Budget; prepared and distributed the Quarterly Performance Review for the first and second quarters and distributed instructions for preparation of the third quarter; issued guidance on the formulation of the FY 2002 Budget and the FY 2001-2002 Annual Performance Plan and the FY 2000 Performance Report; issued the second quarter MASC Report; submitted answers for the record to the House Committee on Appropriations; and issued six OED Advisories; (Mandatory Use of the Travel Charge Card for the Payment of Expenses of Official Government Travel; Travel Manager Access; Travel Arrangements, Trip Cancellations, and Unused Tickets; Common Travel Allowances, Disallowances, and Agency Receipt Requirements; Actual Expense Procedures, Travel Authorizations and the Use of Travel Management Centers; Miscellaneous and Travel Reimbursements to Employees via Electronic Banking) and one Travel Advisory. OFM also issued a final policy entitled "*Guidelines for Simplified Acquisitions.*" This policy will: streamline the Commission's procurement process; foster the practice of acquiring goods and services that represent the best value reasonably available; and foster compliance with the laws and regulations that govern procurement activities in the federal government.

Special Events and Training – The Training Advisory Group Committee planned the FY 2001 Initiatives and the 2001 Summer Intern Training Program. Plans include a revised curriculum, instructors, schedule formulation, and implementation of a Personal/Professional segment. OHR completed the development and implementation of both segments of the Management Training Program, *Nuts and Bolts* and *Leadership Effectiveness* for 90 management officials with the latter program resulting in the registration of 40 Commission managers for management training. OHR provided oversight and administration of two semesters and 86 Industry/Technical/Legal sessions. In concert with the Intern Recruitment and Placement Program, OHR developed and implemented an eight-week Summer Intern Orientation and Training Program. OHR revised the Health Unit Contract to expand the Commission's Health Unit Physical Examinations Program and streamlined the processes to provide for direct scheduling with the Health Unit Nurse. OHR issued the ADR and Grievance Program Instruction and revised the Employee Performance, Results, and Recognition Plan for General Schedule and Prevailing Rate Employees Program Instruction to incorporate performance appraisal reconsideration. OHR issued an instruction which established the Commission's procedure on Professional Liability Insurance reimbursement.

Human Resources Initiatives – OHR finalized and published the Merit Promotion Plan and issued the Recruitment and Relocation Bonus and Retention Allowance Instructions. OHR provided data to OPM in support of proposed special rates for Computer Specialists. OHR completed plans with the Library and the OAS to relocate the OHR Learning Resource Center to the Library. The Center, newly renamed the *Employee Resource Center*, is a Commission-wide repository and circulating library for training and educational materials and will serve as a resource for various outreach learning efforts, programs, and initiatives with telephonic hookups to the regions.

Reporting – OHR implemented life insurance open season elections. OHR initiated the Thrift Savings Plan open season under the current recordkeeping system, and informed the agency of the Thrift Board's decision to delay the new records system until a later date. OHR completed and submitted the Commission's Annual Federal Drug-Free Workplace Report to OPM.

Administrative Services – OAS has successfully completed space alteration projects in Chicago and the Equal Employment Opportunity suite in DC. HVAC corrections and retrofitting of new lighting fixtures were made in the Hearing Room to improve environmental conditions. OAS also orchestrated the annual emergency preparedness exercise in June and sponsored a spring cleaning effort at headquarters to

enable more efficient use of office space. In addition, OAS successfully surplused over 200 items of Information Technology (IT) hardware to GSA. This was the first significant effort of this size undertaken by OAS and OIRM. Also, OAS and Danka completed a copier analysis and implemented a new service agreement for the maintenance of the copiers at headquarters. Since the agreement was signed, service calls have been reduced by 87 percent.

Technology Advances – OHR designed and developed an intranet training page incorporating the FY 2000 Training Plan, internal and external training, alternatives to classroom training, continuing education, internal course and reference materials, training schedules, and other information.

Part III: Annual Performance Statistics

Summary of Commission Outreach Efforts

Third Quarter, FY 2000

Non-Recurring Outreach Efforts:

Quarterly meetings of Chairman Rainer and leaders of Exchanges
Congressional briefings with OLIA staff

Recurring/Established Outreach Efforts:

Advisory

Agricultural Advisory Committee
Technology Advisory Committee
Global Market Advisory Committee

Federal and State Working Relationships

President's Working Group on Financial Markets
U.S. Department of Agriculture
Securities and Exchange Commission
Department of the Treasury
Board of Governors of the Federal Reserve System
New York Federal Reserve Bank
Federal Deposit Insurance Corporation
Department of Energy
Department of Labor's Bureau of Labor Statistics
Department of Justice
Federal Bureau of Investigation
Federal Trade Commission
US Postal Inspection Service

Self-Regulatory

National Futures Association quarterly meetings

International

Foreign regulatory authorities
International Organization of Securities Commissions (IOSCO)

List of Interested Parties

All Exchanges and Self-Regulatory Organizations
Public
Congress
The Administration
Market Professionals
Market Users
Foreign Authorities
Federal Departments and Agencies

Analysis of Annual Performance Statistics By Agency Goal: Third Quarter, 2000**Goal One: Protect the economic functions of the commodity futures and option markets.*****Outcome Objective 1.1:** Foster futures and option markets that accurately reflect the forces of supply and demand for the underlying commodity and are free of disruptive activity. (Activities 1.1.1 through 1.1.7)***Annual Performance Goal:** No price manipulation or other disruptive actions.**Activity 1.1.1: Collect US futures and option large trader and exchange-generated data for all actively trading contracts to support market surveillance, enforcement of speculative limits, dissemination of information to the public, and futures market studies and research by Commission staff and others.**

Activity 1.1.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Amount of large trader and exchange-generated reports collected.	24,050,000	3,200,000	7,700,000	7,202,720		18,102,720	75%	26,300,000
Number of projects/measures intended to reduce reporting burdens and related costs on the exchanges.	4	0	1	0		1	25%	1

Activity 1.1.2: Monitor the markets to detect and respond quickly to potentially disruptive situations such as market congestion and/or potential price manipulation.

Activity 1.1.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of active futures and option markets.	299	241	259	234		N/A	N/A	N/A
Number of market surveillance reports prepared on expiring contracts for indications of price manipulation or other market disruptions.	2,800	528	481	538		1,547	55%	2,100
Number of market surveillance analyses prepared and presented at Commission briefings.	300	62	71	76		209	70%	266
Markets requiring intensified surveillance to prevent manipulation.	12	3	6	5		14	117%	19

Activity 1.1.3: Conduct timely review of contract market designation applications and changes to applications to determine if they are economically viable and do not pose a likelihood of disruption in the cash, futures, and option markets.

Activity 1.1.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of designations reviewed.	74	7	14	4		25	34%	35
Number of designations reviewed within 45 days.	30	1	12	2		15	50%	18
Number of rule changes reviewed.	144	28	23	22		73	51%	100
Number of rule changes reviewed within 30 days.	114	18	16	13		47	41%	62

Note: TBD on FY 2000 Targets means that those statistics were not tracked by the Commission prior to FY 2000. A tracking system is currently in place to provide estimates in future years.

Analysis of Annual Performance Statistics By Agency Goal: Third Quarter, 2000**Goal One: Protect the economic functions of the commodity futures and option markets.***Outcome Objective 1.1 (Cont'd.)***Activity 1.1.4: Identify possible manipulation and other abusive trading practices for investigation and possible enforcement or criminal action**

Activity 1.1.4 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of possible manipulation and other abusive trading practices identified.	TBD	N/A	N/A	N/A		N/A	N/A	N/A

Activity 1.1.5: Investigate possible manipulation and other abusive trading practices.*

Activity 1.1.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such investigations opened during the reporting period.	10	3	3	5		11	110%	13
Number of such investigations closed during the reporting period.	TBD	2	1	6		9	N/A	10
Number of such investigations pending at close of the reporting period.	20	14	16	15		N/A	N/A	16
Number of such investigations closed or resulting in the filing of an enforcement case during the reporting period.**	TBD	4	1	6		11	N/A	11
During the reporting period, the number of such investigations closed or resulting in an enforcement case within one year of opening the related investigation.	3	1	1	5		7	233%	7

*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved throughout the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, that case will be reflected in the appropriate places under Goals One, Two, and Three.

** An Enforcement investigation can remain open after a related case has been filed.

Activity 1.1.6: Institute enforcement cases concerning manipulation and other abusive trading practices.

Activity 1.1.6 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such cases filed during the reporting period.	1	2	0	1		3	300%	3
Number of such cases completed during the reporting period.	1	1	2	1		4	400%	4
Number of such cases pending at the close of the reporting period.	12	15	13	13		N/A	N/A	13
During the reporting period, the total number of such cases filed within one year of opening the related investigation.	TBD	0	0	0		0	N/A	0

Analysis of Annual Performance Statistics By Agency Goal: Third Quarter, 2000

Goal One: Protect the economic functions of the commodity futures and option markets.

*Outcome Objective 1.1 (Cont'd.)***Activity 1.1.7: Sanction violators.***

Activity 1.1.7 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Amount of disgorgement or restitution ordered.	\$0	\$6,000,000	\$0	\$0		\$6,000,000	N/A	\$6,000,000
Amount of civil penalties.	\$800,000	\$625,000	\$0	\$80,000		\$705,000	88%	\$705,000
Number of cease and desist orders.	4	3	0	2		5	125%	5
Number of registration sanctions.	6	2	0	1		3	50%	3
Number of trading prohibitions.	6	3	0	1		4	67%	4
Amount of sanctions collected/recovered.	TBD	-	-	-		0	N/A	N/A
*This Quarterly Performance Review only reflects sanctions which have become final by the close of the reporting quarter. Thus the output measures reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.								

Outcome Objective 1.2: Promote compliance with and deter violations of federal commodities laws.
(Activities 1.2.1 through 1.2.3)

Annual Performance Goal: No decrease in market use by producers, processors, financial institutions, and other firms because of loss of confidence in the price discovery and risk shifting functions of the markets.

Activity 1.2.1: Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.

Activity 1.2.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of President's Working Group meetings held (includes Steering Committee meetings).	24	6	6	6		18	75%	24
Number of President's Working Group meetings attended (includes Steering Committee meetings).	24	6	6	6		18	75%	24

Activity 1.2.2: Maintain a current understanding of market functions and developments through studies and research.

Activity 1.2.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of ongoing market research projects and studies.	14	3	1	3		7	50%	14
Number of market research projects and studies completed.	14	4	3	4		11	79%	14

Analysis of Annual Performance Statistics By Agency Goal: Third Quarter, 2000**Goal One: Protect the economic functions of the commodity futures and option markets.***Outcome Objective 1.2 (Cont'd.)*

Activity 1.2.3: Provide materials and information on the functions and utility of the markets to the public through public Commission meetings, public roundtables, advisory committee meetings, symposia, US Department of Agriculture publications, press releases, advisories, routine reports on large trader activity, etc.

Activity 1.2.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of presentations at public roundtables conducted.	1	1	0	1		2	200%	3
Number of presentations at Advisory Committee meetings conducted.	4	0	1	1		2	50%	4
Number of market reports published.	8,600	2,144	1,977	1,491		5,612	65%	7,600
Number of requests for data from universities and private sources.	9	2	3	2		7	78%	10
Number of requests fulfilled.	9	2	3	2		7	78%	10
Number of large trader reports (routine and special) provided to other US financial regulators.	28	7	7	7		21	75%	28

Goal Two: Protect market users and the public.

Outcome Objective 2.1: Promote compliance with and deter violations of federal commodities laws. (Activities 2.1.1 through 2.1.10)

Annual Performance Goal: All known possible wrongdoing identified and investigated. All violators brought to justice.

Activity 2.1.1: Identify and investigate possible fraudulent and other illegal activities relating to the commodity futures and option markets and their registrants.*

Activity 2.1.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such investigations opened during the reporting period.	83	14	43	28		85	102%	100
Number of such investigations closed during the reporting period.	TBD	22	39	37		98	N/A	113
Number of such investigations pending at close of the reporting period.	112	110	114	105		N/A	N/A	105
Number of such investigations closed or resulting in the filing of an enforcement case during the reporting period.**	TBD	25	45	42		112	N/A	129
During the reporting period, the total number of such investigations closed or resulting in an enforcement case within one year of opening of the related investigation.	42	7	20	28		55	131%	65

*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved through the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, any performance indicators associated with the case will be reflected in the appropriate places under Goals One, Two, and Three.

** An Enforcement investigation can remain open after a related case has been filed.

Analysis of Annual Performance Statistics By Agency Goal: Third Quarter, 2000**Goal Two: Protect market users and the public.***Outcome Objective 2.1 (Cont'd.)*

Activity 2.1.2: Bring injunctive actions, including using "quick-strike" efforts to protect assets and to stop egregious conduct.

Activity 2.1.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such injunctive cases filed during the reporting period.	19	1	2	2		5	26%	8
Number of such injunctive cases completed during the reporting period.	18	9	3	2		14	78%	17
Number of such injunctive cases pending at close of the reporting period.	TBD	37	36	36		N/A	N/A	36
During the reporting period, the total number of such injunctive cases filed within one year of the opening of the related investigation.	TBD	0	1	2		3	N/A	5
Number of such injunctive cases filed during the reporting period using "quick-strike" procedures.*	8	0	1	1		2	25%	4
**Quick strike" cases are anti-fraud civil injunctive actions filed by the Commission within four months of the opening of the related investigation.								

Activity 2.1.3: Bring administrative cases involving fraud and other violations.

Activity 2.1.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of administrative cases filed during the reporting period.	12	3	5	15		23	192%	30
Number of such administrative cases completed during the reporting period.	12	6	12	13		31	258%	37
Number of such administrative cases pending at the close of the reporting period.	TBD	29	22	24		N/A	N/A	25
During the reporting period, the total number of such administrative cases filed within one year of opening the related investigation.	TBD	0	1	11		12	N/A	15

Activity 2.1.4: Hear administrative cases.

Activity 2.1.4 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of administrative cases decided during the fiscal year.	23	2	3	15		20	87%	23

Analysis of Annual Performance Statistics By Agency Goal: *Third Quarter, 2000*

Goal Two: Protect market users and the public.

Outcome Objective 2.1 (Cont'd.)

Activity 2.1.5: Sanction violators.*

Activity 2.1.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of statutory restraining orders obtained.	11	1	1	1		3	27%	5
Number of preliminary injunctions obtained.	10	3	1	1		5	50%	7
Number of permanent injunctions obtained.	20	7	6	3		16	80%	20
Amount of disgorgement and restitution granted.**	\$55,000,000	\$50,425,615	\$85,102,324	\$4,361,757		\$139,889,696	254%	\$141,000,000
Amount of civil monetary penalties granted.	\$35,000,000	\$24,568,594	\$95,344,639	\$313,652		\$120,226,885	344%	\$121,000,000
Number of cease and desist orders obtained.	16	6	9	15		30	188%	30
Number of requests for registration restrictions granted.	8	3	3	0		6	75%	8
Number of requests for trading prohibitions granted.	11	5	4	3		12	109%	12

* This Quarterly Performance Review only reflects sanctions which have become final by the close of the reporting quarter. Thus the output measures reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.

**Of the approximately \$140M in total restitution ordered through the first three quarters of FY 2000, \$16M was ordered paid pursuant to multi-year payment plans in which the actual amount paid by the defendant/respondent depends upon the level of his/her income during the period of the payment plan.

Activity 2.1.6: Inform the public and the industry concerning allegations of wrongdoing and associated legal actions, including through publications and through Commission orders and reports describing the alleged violations and the Commission's legal and policy analysis.

Activity 2.1.6 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of cases decided with published opinions.	11	1	0	0		1	9%	7
Number of cases decided by orders of summary affirmance.	9	1	0	0		1	11%	1

Activity 2.1.7: Collect sanctions and civil monetary penalties against violators.

Activity 2.1.7 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Amount of civil monetary penalties assessed.	TBD	N/A	N/A	N/A		N/A	N/A	N/A
Amount of civil monetary penalties collected.	\$1,500,000	\$127,086	\$927,553	\$160,008		\$1,214,647	81%	\$1,500,000

Analysis of Annual Performance Statistics By Agency Goal: *Third Quarter, 2000***Goal Two: Protect market users and the public.***Outcome Objective 2.1 (Cont'd.)*

Activity 2.1.8: Cooperate with the exchanges, the National Futures Association, other federal agencies, state governments and law enforcement entities, and foreign authorities to gain information for law enforcement purposes and to provide enforcement assistance as necessary and appropriate.

Activity 2.1.8 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of enforcement investigations in which resources were expended during the reporting period in cooperative enforcement.	38	6	6	3		15	39%	21
Number of requests for enforcement assistance from foreign authorities during the reporting period.	25	7	6	5		18	72%	24
Number of requests for enforcement assistance made to foreign authorities during the reporting period.	25	5	6	5		16	64%	21

Activity 2.1.9: Monitor the Internet and other communication media for fraudulent activities and other possible violations of the Act.

Activity 2.1.9 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of preliminary inquiries generated from Internet and media monitoring during the reporting period.	48	15	13	17		45	94%	57
Total number of enforcement preliminary inquiries pending at the close of the reporting period.	TBD	70	74	30		N/A	N/A	30

Activity 2.1.10: Resolve appeals in administrative enforcement matters and self-regulatory organization adjudicatory actions.

Activity 2.1.10 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of administrative enforcement appeals resolved.	15	1	0	1		2	13%	11
Number of administrative enforcement appeals decided during the reporting period that were decided within six months.	3	0	0	1		1	33%	1
Number of SRO adjudicatory action appeals resolved.	13	1	2	0		3	23%	4
Number of SRO adjudicatory action appeals decided during the reporting period that were decided within six months.	3	0	0	0		0	0%	0

Analysis of Annual Performance Statistics By Agency Goal: Third Quarter, 2000**Goal Two: Protect market users and the public.****Outcome Objective 2.2:** *Require commodities professionals to meet high standards. (Activities 2.2.1 through 2.2.3)***Annual Performance Goal:** No unregistered, untested, and unlicensed commodity professionals.**Activity 2.2.1:** **Oversee the National Futures Association (NFA) registration program, including testing, licensing, and ethics training for commodities professionals.**

Activity 2.2.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of registered commodity professionals.	66,000	65,147	65,470	65,352		N/A	N/A	66,000
Number of registrants compliant with standards regarding testing, licensing, and ethics training.	64,000	62,542	62,850	62,059		N/A	N/A	64,000
Number of CTA-NFA Registration Working Group meetings.	4	1	1	2		4	100%	4

Activity 2.2.2: **Oversee NFA's document disclosure review program.**

Activity 2.2.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of disclosure documents reviewed.	100	5	7	7		19	19%	24
Number of deficiency letters issued.	10	1	0	3		4	40%	5
Number of CPO and CTA biennial review reports issued (every odd FY).	0	0	0	0		0	0%	0
Number of CPO/CTA interpretations, advisories, and proposed rule changes.	10	0	0	0		0	0%	4

Analysis of Annual Performance Statistics By Agency Goal: Third Quarter, 2000**Goal Two: Protect market users and the public.***Outcome Objective 2.2 (Cont'd.)*

Activity 2.2.3: Investigate and bring administrative registration cases arising out of alleged statutory disqualification and obtain suspensions, revocations, conditions, or restrictions of registration.

Activity 2.2.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of statutory disqualification investigations opened during the reporting period.	3	0	0	4		4	133%	4
Number of statutory disqualification investigations closed during the reporting period.	TBD	0	1	1		2	N/A	2
Number of statutory disqualification investigations pending at the close of the reporting period.	TBD	3	2	5		N/A	N/A	4
Number of statutory disqualification investigations closed or resulting in the filing of an enforcement case during the reporting period.*	TBD	0	3	3		6	N/A	6
During the reporting period, the number of statutory disqualification investigations closed or resulting in enforcement case within one year of opening the related investigation.*	4	0	1	2		3	75%	3
Number of statutory disqualification cases filed during the reporting period.	7	0	3	2		5	71%	5
Number of statutory disqualification cases completed during the reporting period.	TBD	0	5	1		6	N/A	7
Number of statutory disqualification cases pending at the close of the reporting period.	TBD	10	8	9		N/A	N/A	11
During the reporting period the total number of statutory disqualification cases filed within one year of the opening of the related investigation.	TBD	0	1	2		3	N/A	3
Number of respondents/defendants against whom the CFTC's request for registration restrictions has been granted during the reporting period.	TBD	4	2	0		6	N/A	6
* An Enforcement investigation can remain open after a related case has been filed.								

Analysis of Annual Performance Statistics By Agency Goal: Third Quarter, 2000**Goal Two: Protect market users and the public.**

Outcome Objective 2.3: *Provide a forum for effectively and expeditiously handling customer complaints against persons or firms registered under the Act. (Activity 2.3.1)*

Annual Performance Goal: All customer complaints against persons or firms registered under the Act are resolved within one year from the date filed (does not include appeals).

Activity 2.3.1: Provide a reparations program for commodities market users to make claims relating to violations of the Act.

Activity 2.3.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of reparations complaints filed during the reporting period.	200	30	29	34		93	47%	120
Number of reparations complaints forwarded for hearing as cases during the reporting period.	159	40	19	23		82	52%	120
During the reporting period the number of reparations complaints resolved within one year of filing date.	TBD	33	22	23		78	N/A	N/A
During the reporting period the number of appeal cases decided that were decided within six months.	5	0	0	0		0	0%	2
Number of appeals resolved during the reporting period.	18	3	5	1		9	50%	29

Goal Three: Foster open, competitive, and financially sound markets.

Outcome Objective 3.1: *Ensure sound financial practices of clearing organizations and firms holding customer funds. (Activities 3.1.1 through 3.1.5)*

Annual Performance Goal: No loss of customer funds as a result of firms' failure to adhere to regulations. No customers prevented from transferring funds from failing firms to sound firms.

Activity 3.1.1: Promulgate regulations to ensure sound business, financial, and sales practices in firms participating in the commodities industry.

Activity 3.1.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of firms required to transfer customer accounts.	TBD	0	0	1		1	—	N/A
Amount of customer funds lost.	TBD	0	0	0		0	—	N/A

Activity 3.1.2: Review and oversee self-regulatory organization audit and financial practices.

Activity 3.1.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of oversight audits.	60	12	5	3		20	33%	35
Number of financial investigative reviews.	10	4	6	2		12	120%	12
Number of financial reports processed.	5,000	899	2,057	1,621		4,577	92%	5,000
Number of financial reports resulting in follow-up inquiries. *	200	51	54	61		166	83%	200

* Follow-up on Notices of Capital Reduction and other notices under Rule 1.12.

Analysis of Annual Performance Statistics By Agency Goal: *Third Quarter, 2000***Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.1 (Cont'd.)***Activity 3.1.3: Identify and investigate possible financial, capitalization, segregation, and supervision violations for possible prosecution.***

Activity 3.1.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such investigations opened during the reporting period.	15	2	6	9		17	113%	19
Total number of such investigations closed during the reporting period.	TBD	6	6	5		17	N/A	19
Number of such investigations pending at the close of the reporting period.	TBD	26	26	30		N/A	N/A	30
Number of such investigations closed or resulting in the filing of an enforcement case during the reporting period.**	TBD	6	10	6		22	N/A	24
During the reporting period, the total number of such investigations closed or resulting in an enforcement case within one year of the opening of the related investigation.**	7	1	3	4		8	114%	8
*Individual Enforcement investigations and cases frequently concern issues that span more than one strategic goal. Accordingly, all performance indicators are reflected in each outcome objective achieved through the course of a matter. So, for example, if a case is filed which contains allegations of trade practice violations as well as supervision failures, any performance indicators associated with the case will be reflected in the appropriate places under Goals One, Two, and Three.								
** An Enforcement investigation can remain open after a related case has been filed.								

Activity 3.1.4: Bring cases concerning financial, capitalization, segregation, and supervision violations.

Activity 3.1.4 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Total number of such cases filed during the reporting period.	10	1	4	2		7	70%	10
Number of such cases completed during the reporting period.	TBD	10	13	3		26	N/A	29
Number of such cases pending at the close of the reporting period.	TBD	49	40	39		N/A	N/A	39
During the reporting period, the total number of such cases filed within one year of the opening of the related investigation.	TBD	0	2	1		3	N/A	3

Analysis of Annual Performance Statistics By Agency Goal: Third Quarter, 2000**Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.1 (Cont'd.)***Activity 3.1.5: Sanction violators.***

Activity 3.1.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Amount of disgorgement and restitution ordered.**	\$0	\$10,633,527	\$24,241,880	\$3,700,876		\$38,576,283	N/A	\$40,000,000
Amount of civil monetary penalties ordered.	\$1,000,000	\$7,848,341	\$5,169,639	\$30,000		\$13,047,980	1305%	\$14,000,000
Number of cease and desist orders.	8	3	8	3		14	175%	16
Number of respondents/defendants whose registrations were ordered restricted.	6	2	5	2		9	150%	10
Amount of civil monetary penalties collected.	TBD	--	--	--		0	N/A	N/A
Amount of disgorgement or restitution money paid.	TBD	--	--	--		0	N/A	N/A
* This Quarterly Performance review only reflects sanctions which have become final by the close of the reporting quarter. Thus, the output measures reported here include only sanctions in settled matters; unappealed decisions of the Commission, US District Courts, or US Circuit Courts of Appeals; and decisions of the US Supreme Court.								
**Of the approximately \$39M in total restitution ordered through the first three quarters of FY 2000, \$16M was ordered paid pursuant to multi-year payment plans in which the actual amount paid by the defendant/respondent depends upon the level of his/her income during the period of the payment plan.								

Outcome Objective 3.2: Promote and enhance effective self-regulation of the commodity futures and option markets. (Activities 3.2.1 through 3.2.6)

Annual Performance Goal: No loss of customer funds resulting from failure of self-regulatory organizations to ensure compliance with its rules.

Activity 3.2.1: Review and approve self-regulatory organization rules and rule amendments

Activity 3.2.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of SRO rule submissions reviewed.	440	67	50	72		189	43%	252
Number of SRO rule amendments reviewed.	680	151	199	241		591	87%	780

Activity 3.2.2: Conduct rule enforcement reviews of self-regulatory organizations (financial practices, sales practices, trade practices, and audit trail).

Activity 3.2.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of rule enforcement reviews conducted.	7	0	1	1		2	29%	7
Number of rule enforcement recommendations for improvement made.	TBD	0	5	8		13	N/A	20

Analysis of Annual Performance Statistics By Agency Goal: *Third Quarter, 2000***Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.2 (Cont'd.)***Activity 3.2.3: Review and oversee self-regulatory organization audit and financial practices.**

Activity 3.2.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of oversight audits.	60	12	5	3		20	33%	35
Number of financial investigative reviews.	10	4	6	2		12	120%	12
Number of financial reports processed.	5,000	899	2,057	1,621		4,577	92%	5,000
Number of financial reports resulting in follow-up inquiries. *	200	51	54	61		166	83%	200
* Follow-up on Notices of Capital Reduction and other notices under Rule 1.12								

Activity 3.2.4: Review adequacy of self-regulatory organization disciplinary actions.

Activity 3.2.4 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of self-regulatory disciplinary actions reviewed.	620	219	213	183		615	99%	800

Activity 3.2.5: Conduct direct audits of clearing organizations and firms handling customer money to ensure compliance with capitalization and segregation rules.

Activity 3.2.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of direct audits of clearing organizations and firms handling customer money.	26	9	4	2		15	58%	24
Number of audited clearing organizations in compliance with capitalization and segregation rules.	TBD	0	1	0		1	N/A	1

Activity 3.2.6: Promulgate regulations to ensure effective self-regulation by exchanges, clearing organizations, and registered futures associations.

Activity 3.2.6 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of newly promulgated CFTC regulations requiring SRO implementation.	18	1	0	1		2	11%	6

Analysis of Annual Performance Statistics By Agency Goal: Third Quarter, 2000**Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.3: Facilitate the continued development of an effective, flexible regulatory environment responsive to evolving market conditions. (Activities 3.3.1 through 3.3.5)***Annual Performance Goal:** All requests for information sharing under agreements honored, and new agreements pursued as warranted. All requests for relief responded to within Commission guidelines.**Activity 3.3.1: Coordinate and cooperate with global financial services regulators to share vital information concerning markets, intermediaries, and regulatory structure.**

Activity 3.3.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of requests from foreign authorities received.	160	63	89	60		212	133%	302
Number of requests from foreign authorities honored by CFTC.	TBD	63	89	60		212	N/A	302
Number of requests made to foreign authorities.	110	20	34	48		102	93%	125
Number of CFTC requests honored by foreign authorities.	TBD	18	28	48		94	N/A	125
Average response time.	TBD	7 days	7 days	3 days		N/A	N/A	N/A

Activity 3.3.2: Coordinate and cooperate with global financial services regulators to develop appropriate global standards and arrangements in the commodities industry as markets emerge and evolve.

Activity 3.3.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of global standards, arrangements or initiatives developed.	As needed	0	0	2		2	NA	2
Number of global standards, arrangements or initiatives adopted.	As needed	0	0	2		2	NA	2

Activity 3.3.3: Participate in the International Organizations of Securities Commissions and represent the Commission at international meetings concerning commodity regulation.

Activity 3.3.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of IOSCO and related international meetings held.	As needed	8	9	8		25	N/A	34
Number of IOSCO and related international meetings attended by CFTC.	As needed	8	9	8		25	N/A	34

Activity 3.3.4: Participate in the President's Working Group on Financial Markets to ensure coordination of information and efforts among US financial regulators.*See Activity 1.2.1 for annual targets.*

Analysis of Annual Performance Statistics By Agency Goal: *Third Quarter, 2000***Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.3. (Cont'd.)*

Activity 3.3.5: Provide exemptive, interpretive, or other relief as appropriate to foster the development of innovative transactions, trading systems, and similar arrangements.

Activity 3.3.5 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of requests for exemptive, interpretive, or other relief.	330	63	72	65		200	61%	270
Number of CFTC responses to such requests.	297	51	72	55		178	60%	246
Average response time.	6 weeks	6 wks	6 wks	6 wks		N/A	N/A	N/A

Outcome Objective 3.4: Promote markets free of trade practice abuses. (Activities 3.4.1 through 3.4.4)

Annual Performance Goal: No trade practice abuses.

Activity 3.4.1: Identify possible trade practice violations for investigation and possible enforcement proceedings.

Activity 3.4.1 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of trade practice investigations completed.	TBD	15	43	17		75	N/A	100
Number of possible trade practice violations referred to SROs and/or to of Enforcement for investigation.	21	5	11	6		22	105%	27

Activity 3.4.2: Investigate possible trade practice violations.

Activity 3.4.2 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of such investigations opened during the reporting period.	10	3	3	5		11	110%	12
Number of investigations closed during the reporting period.	TBD	2	1	6		9	N/A	10
Number of investigations pending at the close of the reporting period.	TBD	14	16	15		N/A	N/A	15
Number of investigations closed or resulting in the filing of an enforcement case during the reporting period.*	6	4	1	6		11	183%	12
During the reporting period, the total number of investigations closed or resulting in an enforcement case within one year of opening of the related investigations.*	TBD	1	1	5		7	N/A	7

* An Enforcement investigation can remain open after a related case has been filed.

Analysis of Annual Performance Statistics By Agency Goal: *Third Quarter, 2000***Goal Three: Foster open, competitive, and financially sound markets.***Outcome Objective 3.4. (Cont'd.)***Activity 3.4.3: Bring cases concerning trade practice violations.**

Activity 3.4.3 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Total number of such cases filed during the reporting period.	1	2	0	0		2	200%	2
Number of such cases completed during the reporting period.	2	1	1	1		3	150%	3
Number of such cases pending at the close of the reporting period.	9	13	12	12		N/A	N/A	12
During the reporting period, the total number of such cases filed within one year of the opening of the related investigation.	TBD	0	0	0		0	N/A	0

Activity 3.4.4: Bring enforcement proceedings against violators.

Activity 3.4.4 Output Measures:	FY 2000 Target	Qtr. 1 Actual	Qtr. 2 Actual	Qtr. 3 Actual	Qtr. 4 Actual	Total To Date	% To Date	Year-End Projection
Number of statutory restraining orders granted.	0	0	0	0		0	--	0
Number of preliminary injunctions obtained.	0	0	0	0		0	--	0
Number of permanent injunctions obtained.	0	1	0	0		1	--	1
Amount of restitution and disgorgement granted.	\$0	\$6,000,000	\$0	0		\$6,000,000	N/A	\$6,000,000
Amount of civil monetary penalties granted.	\$525,000	\$625,000	\$0	\$30,000		\$655,000	125%	\$655,000
Number of cease and desist orders obtained.	1	3	0	1		4	400%	4
Number of requests for registration restrictions granted.	2	2	0	1		3	150%	3
Number of requests for trading prohibitions granted.	2	3	0	0		3	150%	3